QUATTRO

QUATTRO PLUS REAL ESTATE ANNUAL REPORT

Year ended 30 June 2020

ARSN 114 494 503

QUATTRO

Contents

DIRECTORS' REPORT

The Directors of Quattro RE Limited (**"Quattro"** or "**Responsible Entity**"), the Responsible Entity for the Quattro Plus Real Estate ("**QPR**" or "**the Trust**") (ASX: QPR) present their report together with the financial statements of the Consolidated Entity for the financial year ended 30 June 2020 and the independent auditor's audit report thereon.

The Consolidated Entity comprises of the Trust and the entities it controlled during the financial period. The Trust became a registered managed investment scheme under the *Corporations Act 2001* on 26 May 2005.

Responsible entity and Investment Management

The Responsible Entity has carried out the investment management function relevant to the assets of the Trust and engaged consultants, where appropriate, to assist in the review of strategy, its implementation, and the day to day management of the Trust.

Directors

The Directors of the Responsible Entity during the year and up to the date of this report, unless otherwise stated are as follows:

Antony Wood
Andrew Saunders
Peter Chai
Nicholas Hargreaves

The Directors consider that because the majority of Directors during or since the end of the reporting period were non-executive and independent, an adequate segregation of responsibilities has applied during the reporting period between the investment management functions and corporate governance functions of the Trust.

Principal activities

The Trust is a registered managed investment scheme domiciled in Australia. The principal activity of the Trust is investment in office property with a strategy to add value. The Trust currently owns six properties, five of which are in the Auckland CBD, New Zealand and one in Chicago, USA.

Review of operations and activities

Results for the year ended 30 June 2020

The results of the operations of the Trust are disclosed in the consolidated statement of profit or loss and other comprehensive income of the financial statements. The Trust's profit from continuing operations for the year ended 30 June 2020 was $9,526,000 (2019: $2,560,000). The increase in the Trust's profit is predominately due to an increase in the fair value of the Trust's investment property, at 30 June 2020 of approximately $10,970,000.

As at 30 June 2020, the Trust's net tangible assets ("**NTA**") was $1.11 per unit (30 June 2019: $0.97). The increase in NTA is attributable to a capital raise of $24,352,000 in December 2019, and the increase in the total fair value of the property portfolio at 30 June 2020.

Distributions

No distributions have been paid or are payable in respect of the current or immediately preceding corresponding period and the Directors of the Responsible Entity do not recommend the payment of a distribution.

Foreign exchange movements

The Trust's assets and liabilities are predominately in US$ and NZ$. The Trust's earnings are also generated in US$ and NZ$, movements in the US$/A$ and NZ$/A$ exchange rate have a material impact on the Trust's Net Tangible Assets ("**NTA**") and its earnings.

The Trust's statement of financial position is prepared using predominately the spot rate at 30 June 2020.

The Trust's statement of profit or loss and other comprehensive income is prepared using the average exchange rates over the reporting period.

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Investment property

The total value of the Trust's property portfolio at 30 June 2020 was $165,543,000 an increase of 52% (30 June 2019: $108,857,000). The Trust owns five office buildings in the Auckland CBD, New Zealand and one office building in Chicago, USA.

The increase in the value of the property portfolio was attributable to the acquisition of 87 Albert Street, Auckland for AU$34,198,000 in October 2019, refurbishment and upgrade works spent during the period across the property portfolio, and the increase in the fair value of the Trust's investment property at 30 June 2020.

COVID-19

Rent relief provided to tenants who were materially impacted by the COVID-19 lockdown in New Zealand during the 30 June 20 quarter was approximately 11% of total charges for the quarter.

As at 1 July 2020 there were no material rent relief agreements still in place and collections for July and August have been running at pre COVID-19 levels.

Management continues to pro-actively monitor rental receipts and communicate directly with their tenants. Management believes there is likely to be some operational impact from COVID-19 during the 2021 financial year, however, at the date of this report, it is difficult to quantify based on the operational results in July and August.

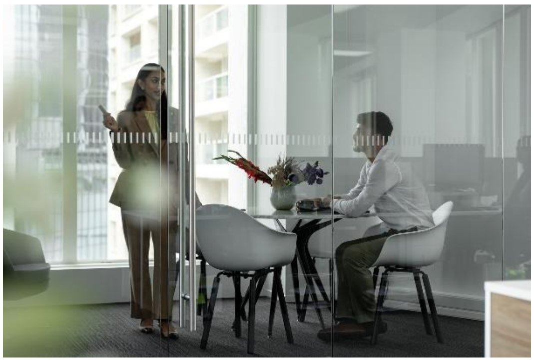
PORTFOLIO UPDATE

The overall property investment strategy is to focus on buildings that suit the SME tenant market and add value through an activated management and leasing strategy. The SME tenant market in Auckland is the most active leasing sector, comprising 55% of total lettable area leased in 2019 and 75% of all leasing transactions. With leases ranging from 100sqm up to 1,000sqm in size, the ideal building floorplate for the SME market is between 400sqm to 800sqm, preferably with natural light on all sides.

1 Albert Street, Auckland CBD

The property is located in the core CBD adjacent to several major developments and projects.

During the year, the renovation and refurbishment works have continued as the building is re-positioned. The major works, which comprise the re-development of the ground and mezzanine levels to create a new office entrance, lobby and retail outlets have been timed to complete in phases between late November 2020 to March 2021. The timing allows the leasing of the building to gain the full benefit from the opening of the adjacent NZ$1bn Commercial Bay development, which is located across the road.



The new office entry and lobby will be completed in November, with a focus then on leasing the refurbished office space in the building. In June, 8 additional Private Suites were completed, bringing the total to 12, of which 10 have been leased despite the building still being renovated and the impact of COVID-19. The property is currently 40% occupied. A leasing focussed marketing campaign is due to commence in mid-September, which combined with the new entrance, upgraded floors, the new entrance lobby and opening of Commercial Bay, is expected to see the available floors leased by 31 March 2021.

The property was acquired for NZ$45.0m with a forecast net investment of $25.0m for re-positioning and leasing, the forecast at completion value is NZ$99.0m, with this value expected to firm as new leasing is completed and the area generally benefits from the completion of several major projects, including;

Commercial Bay, a new $1bn office retail complex, now open,

- The M&L Tower @ 9 Albert Street, a new $1bn office complex adjoining 1 Albert Street,
- 58 Albert Street, a 40-level hotel project under construction,
- 51 Albert Street, a 41-level residential tower,
- 1 Mills Lane, a large office tower which is currently on hold due to COVID-19,
- A new Marriot Hotel at 92 Albert Street.

The Viaduct Harbour properties;

1. **110 Custom Street West, Auckland CBD**
2. **10 Viaduct Harbour, Auckland CBD.**
3. **12 Viaduct Harbour, Auckland CBD**

Together the three properties provide 8,500sqm of lettable area fronting Viaduct Harbour, which is home to the next Americas Cup in 2021. With floor plates ranging from 400sqm to 600 sqm, plentiful parking and views across the harbour, the properties suit high end SME tenants.

At the time of acquisition, the properties had been owned by an offshore investor who also owned 8 Viaduct Harbour, an 8,000sqm office property that is being converted to a QT hotel, which is expected to open in early 2021. This conversion to hotel use effectively removed 50% of the supply of this style of office space on the Viaduct Harbour. Whilst the adjoining Wynyard Quarter is home to large scale office developments, all of these have floor plates in excess of 1,000sqm and are not a direct competitor to the subject properties for SME tenants.

110 Custom Street West office space is fully leased, with vacancy on the ground floor retail reducing overall occupancy to 88%. There are two office rent reviews in progress. A strategy to lease the retail vacancy is in progress and we expect to have this leased prior to the Americas Cup.

10 Viaduct Harbour is currently 78% leased. The 5-level property has two vacancies; a Private Suite that was recently completed and is under offer, together with a whole floor, where a tenant excited a lease after making a surrender payment to the Trust. This floor is also under negotiation to a new tenant.

12 Viaduct Harbour is 92% leased, with a lease in progress which will increase occupancy to 100%. The ground floor renovation has been completed, providing new end of trip facilities, a new café called "Lawn" and a F45 gym. This activation of the properties amenities has had a positive impact on leasing, with NEC Corporation leasing the space in 10 Viaduct Harbour and Ray White moving to a whole floor at 12 Viaduct Harbour.

The properties were acquired in late 2018 for NZ$28m and have been valued at NZ$39m. On the basis of current conditions, we expect these values to firm as new leasing occurs at improved rents over the next year.

87 Albert Street, Auckland CBD

The property was acquired by the Trust in October 2019 with a key motivation being it's strategic location adjacent to two key Auckland CBD infrastructure assets;

1. The new central rail link Aotea Station, which is located below Albert Street in front of the building. This new station will be the busiest transport hub in Auckland at completion in 2022 / 23. The station has been forecast to generate over 750,000 passenger movements per day, from a base of zero today.
2. The Sky City complex, a city within a city, which is 30m form the entry to 87 Albert Street. Sky City comprises 3 hotels, an international convention centre, casino and the Sky Tower.

87 Albert Street is a 13-level office building comprising of 10 levels of office accommodation, ground level retail and 2 levels of basement parking. The property is currently 53% leased to a range of small tenants. With a floor plate of 680sqm, the property will be re-positioned to provide an improved level of accommodation for tenants and maximise the benefits of its location.

During the year, the Trust entered into an option to acquire two office buildings at 16 Federal Street and 60 Kingston Street that adjoin and effectively back onto 87 Albert Street. The opportunity is to link the buildings together to provide a new entrance lobby off Albert Street, creating an 18,000sqm strategic office complex with convenient access to the Aotea Station and Sky City.

1700 W. Higgins Road, Chicago

The property is being prepared for sale in 2021. Current occupancy is 64%. Sale brokers have been approached for opinions of value and these are reflected in the valuations adopted by the Directors in this report. In addition to the sale of the office complex, the Directors have also taken into consideration the conditional agreements and letters of intent that have been entered into for the sale of the billboard leases and a site for a new hotel. The property is valued at US$24m.

The focus is on completing various matters prior to a sale.

Capital management and other funding initiatives

On 2 October 2019, the BNZ facility increased by NZ$16.9m to NZ$70.4m to partly fund the acquisition of 87 Albert St, Auckland.

On 18 December 2019, the Trust completed a $24.4m non-renounceable Entitlement Offer representing a 93.8% take up from eligible unitholders. A total of 22,173,951 new units were issued at $1.10 providing further scale and liquidity to the Trust. Proceeds of the Entitlement Offer were used to repay the non-bank bridge loan that partly funded the acquisition of 87 Albert St, Auckland on 2 October 2019, and for working capital.

On 16 July 2020 the Trust extended the expiry date of its non-bank bridge facility from 1 April 2021 to 22 October 2021 to expire co-terminus with the BNZ facility. The bridge facility is currently undrawn and has a limit $15.0m.

On 3 August 2020 the Trust agreed an increase to its BNZ facility of NZ$6.5m to provide additional funding for redevelopment and refurbishment projects currently underway. The BNZ facility has a limit of NZ$76.9m and at 30 June 20 was drawn to NZ$63.4m

Drawn borrowings totalled $75.5m at 30 June 2020 with Trust gearing at 39.9% (30 June 2019: 45%). Undrawn borrowings total approximately $30.8m. The undrawn borrowing are predominately to fund re-positioning and capex works in New Zealand and USA as well as for working capital.

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Interest of the Responsible Entity

Mr Andrew Saunders and his associates hold 437,879 units in the Trust. Alceon Group Pty Limited holds 77,061,048 units in the Trust.

Except as disclosed in this report or in the notes to the consolidated financial statements, no Director of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by the Responsible Entity with a related entity of a Director or with a firm of which a Director is a member or with an entity of which a Director of the Responsible Entity has a substantial interest. Directors of the Responsible Entity are paid Directors fees by the Responsible Entity from its own resources.

All transactions with related parties are conducted on commercial terms and conditions.

Costs incurred by the Responsible Entity in managing the Trust include the cost of advisors to provide the fund management, assets management, legal, accounting and other services. These costs are included in expense recoveries.

	Note	2020 $	2019 $
Transactions with related parties - Consolidated			
Charged by the Responsible Entity and related parties:			
Responsible Entity/Management fees	see i below	**1,008,933**	623,604
Acquisition fees		**478,293**	391,937
Capital arrangement fees		**251,677**	130,646
Expense recoveries		**201,250**	168,000
Loan interest – Alceon Group Pty Limited		**139,951**	1,991,034
		2,080,104	3,305,221
Balances outstanding with related parties - Consolidated			
Responsible Entity fees (included in payables)		**-**	126,743
	21	**-**	126,743
Unsecured loan receivable - Consolidated			
Quattro RE Limited		**150,000**	150,000
	21	**150,000**	150,000
Unsecured non-bank bridge loan payable - Consolidated			
Alceon Group Pty Limited		**-**	1,150,000
	21	**-**	1,150,000

i. Responsible Entity fees are calculated on the following basis:
- 0.75% of the asset value
- Quattro Management No 2 Pty Limited was appointed to act as the Trust's investment manager under a delegated authority by the Responsible Entity. Quattro Management No 2 Pty Limited is owned equally by a related entity of Andrew Saunders and a related entity of Alceon Group Pty Limited.

Business strategies, prospects and likely developments

The Trust's strategy over the next 12 months is focussed on actively adding value and completing capital works, leasing the vacancy in the portfolio, and disposing of its US asset, 1700 W, Higgins.

The risks to the business strategies and prospects include commercial risks such as the identification of suitable assets, the sourcing of appropriate equity and debt finance, foreign exchange risk and taxation risk.

The operational risks include: construction costs, development approvals, rentals and incentives as well as tenant and office space demand and supply. In addition, redevelopment and refurbishment projects currently underway may get delayed or timing extended beyond expected completion dates thus impacting leasing and revenue forecasts.

Management continues to pro-actively monitor rental receipts and communicate directly with their tenants. Management believes there is likely to be some operational impact from COVID-19 during the 2021 financial year, however, at the date of this report, it is difficult to quantify based on the operational results in July and August.

Events subsequent to the end of the reporting period

On 3 August 2020 the Trust agreed an increase to its BNZ facility of NZ$6.5m to provide additional funding for redevelopment and refurbishment projects currently underway. The BNZ facility has a limit of NZ$76.9m and at 30 June 20 was drawn to NZ$63.4m

Going concern

The consolidated financial statements of the Trust has been prepared on a going concern basis which contemplates continuity of normal business activities and the realization of assets and the settlement of liabilities in the ordinary course of business.

The available cash and cash equivalents at 30 June 2020 were $1,107,000 (30 June 2019: $1,039,000). Undrawn borrowings total approximately $30.8m and include the non-bank bridge facility.

The Responsible Entity has prepared cashflow budgets through to 31 August 2021 which indicates that the Trust will have sufficient funds and funding in place to meet its short-term working capital, committed repositioning and capex works, together with financing requirements.

Significant changes in state of affairs

In the opinion of the Directors of the Responsible Entity there have been no other significant changes in the state of affairs of the Trust which occurred during the financial year not otherwise disclosed in this Directors' report or the attached financial report.

Indemnification and insurance of officers and auditors

Under the Trust's Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Trust's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Trust.

The Trust has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been auditor of the Trust.

Non-audit services

Pitcher Partners provided non-audit services (tax services) during the financial year as well as their statutory duties as auditor.

The Board of the Responsible Entity has considered the non-audit services provided by Pitcher Partners during the year and is satisfied that the provision of those non-audit services during the year by Pitcher Partners is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Responsible Entity to ensure they do not impact the integrity and objectivity of the auditor; and

- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Consolidated Entity, acting as an advocate for the Consolidated Entity or jointly sharing risks and rewards.

Details of the amounts paid and due to the auditor of the Consolidated Entity, Pitcher Partners, and its related practices for audit and non-audit services provided during the year were:

Taxation compliance services	$12,400
Audit – half year review	$25,000
Audit – full year	$41,250

Environmental regulations

To the best of Directors' knowledge, the operations of the USA REIT have been conducted in compliance with the environmental regulations existing under USA federal, state and local legislation.

The valuations in NZ has been made assuming an audit would be available which would satisfy all relevant environmental, and occupational health & safety legislation.

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Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 10 and forms part of the Directors' Report for the year ended 30 June 2020.

Rounding off

The Trust and Consolidated Entity are of a kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report and the Directors' Report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the Responsible Entity:

Andrew Saunders
Director
Sydney, 31 August 2020

PITCHER PARTNERS

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF QUATTRO RE LIMITED
AS RESPONSIBLE ENTITY OF QUATTRO PLUS REAL ESTATE

In relation to the independent audit for the year ended 30 June 2020, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of Quattro Plus Real Estate and the entities it controlled during the year.

R M SHANLEY
Partner

PITCHER PARTNERS

Sydney

31 August 2020

bakertilly NETWORK MEMBER

Pitcher Partners is an association of independent firms.
An independent New South Wales Partnership. ABN 35 415 759 892. Liability limited by a scheme approved under Professional Standards Legislation.
Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities

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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Revenue and other income			
Rental income from investment properties		**8,437**	5,702
Recoverable outgoings from investment properties		**2,700**	2,403
Interest income		**61**	2
Net loss)/gain on foreign exchange		**(52)**	12
Net gain/(loss) on financial instruments	15	**443**	-
Net gain on refinance of financial liability		**-**	84
Other income		**98**	2
Total revenue and other income		**11,687**	8,205
Expenses			
Property expenses		**5,038**	5,252
Lease liability interest	18	**1,482**	-
Borrowing costs		**3,098**	4,592
Responsible Entity fees	21	**1,009**	624
Custodian fees		**16**	16
Provision for expected credit loss	8	**262**	-
Other operating expenses	4	**2,224**	1,463
Total expenses		**13,129**	11,947
Change in fair value of investment property		**10,968**	5,074
Change in fair value of financial liability		**-**	1,228
Profit/(loss) before income tax		**9,526**	2,560
Income tax	6	**-**	-
Profit/(loss) for the year		**9,526**	2,560

Continued on page 14

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020 (continued)

	Note	2020 $'000	2019 $'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Unrealised foreign currency translation (loss)/gain - foreign operations		**(1,434)**	1,642
Total other comprehensive income		**(1,434)**	1,642
Total comprehensive income/(loss) for the year		**8,092**	4,202
Total comprehensive income/(loss) for the year attributable to unitholders of the Trust		**8,092**	4,202
Earnings per unit			
Basic earnings/(loss) per unit	16	**$0.14**	$0.08
Diluted earnings/(loss) per unit	16	**$0.14**	$0.08

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity for the year ended 30 June 2020

	Note	Issued Capital $'000	Reserves $'000	Accum losses $'000	Total equity $'000
Opening balance as at 1 July 2018	14	206,137	3,659	(212,912)	(3,116)
Net profit/(loss) for the year		-	-	2,560	2,560
Translation of foreign operations		-	1,642	-	1,642
Total comprehensive income for the year		**-**	**1,642**	**2,560**	**4,202**
Transactions with owners, recorded directly in equity					
Units issued	14	55,569	-	-	55,569
Total transactions with owners		55,569	-	-	55,569
Closing balance as per 30 June 2019		261,706	5,301	(210,352)	56,655
Opening balance as at 1 July 2019		**261,706**	**5,301**	**(210,352)**	**56,655**
Net profit/(loss) for the year		**-**	**-**	**9,526**	**9,526**
Translation of foreign operations		**-**	**(1,434)**	**-**	**(1,434)**
Total comprehensive income for the year		**-**	**(1,434)**	**9,526**	**8,092**
Transactions with owners, recorded directly in equity					
Units issued	14	**24,352**	**-**	**-**	**24,352**
Total transactions with owners		**24,352**	**-**	**-**	**24,352**
Closing balance as per 30 June 2020		**286,058**	**3,867**	**(200,826)**	**89,099**

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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Consolidated statement of financial position as at 30 June 2020

	Note	2020 $'000	2019 $'000
Assets			
Current Assets			
Cash and cash equivalents	7(a)	**1,107**	1,039
Trade and other receivables	8	**1,130**	222
Other assets	9	**1,022**	575
Total current assets		**3,259**	1,836
Non-current assets			
Investment properties	10	**165,543**	108,857
Right of use assets and net investments in leases	18	**19,495**	-
Other assets	9	**931**	1,431
Total non-current assets		**185,969**	110,288
Total assets		**189,228**	112,124
Liabilities			
Current liabilities			
Trade and other payables	11	**5,100**	4,885
Financial liabilities	12	**-**	1,150
Total current liabilities		**5,100**	6,035
Non-current liabilities			
Financial liabilities	12	**75,534**	49,434
Lease liabilities	18	**19,495**	-
Total non-current liabilities		**95,029**	49,434
Total liabilities		**100,129**	55,469
Net assets		**89,099**	56,655
Equity			
Issued capital	14	**286,058**	261,706
Reserves	14	**3,867**	5,301
Accumulated losses		**(200,826)**	(210,352)
Total equity		**89,099**	56,655

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

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Consolidated statement of cash flows for the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts in the course of operations		**12,907**	8,746
Payments in the course of operations	18	**(11,387)**	(8,038)
Payments of lease liability		**(1,482)**	-
Payments of interest and other borrowing costs		**(2,699)**	(2,219)
Net cash (used in)/from operating activities	7(b)	**(2,661)**	(1,511)
Cash flows used in investing activities			
Payments to acquire investments		**(32,286)**	(24,156)
Payments for improvements to investment properties		**(14,731)**	(6,609)
Loans to other entities		**394**	(1,649)
Net cash (used in)/from investing activities		**(46,623)**	(32,414)
Cash flows used in financing activities			
Proceeds from borrowings		**51,065**	44,110
Repayment of borrowings		**(25,936)**	(64,498)
Proceeds from issue of units	14	**24,391**	56,000
Transaction costs related to loans and borrowings		**(20)**	(216)
Other		**(99)**	(842)
Net cash from/(used in) financing activities		**49,401**	34,554
Net increase/(decrease) in cash and cash equivalents		**117**	629
Cash and cash equivalents at the beginning of the year		**1,039**	403
Effect of exchange rate fluctuations		**(49)**	7
Cash and cash equivalents at the end of the year	7a	**1,107**	1,039

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Quattro Plus Real Estate (the **"Trust"**) (formally Ante Real Estate Trust), is a registered managed investment scheme under the *Corporations Act 2001*. The consolidated financial report of the Trust as at and for the year ended 30 June 2020 comprises the Trust and its subsidiaries (together referred to as the **"Consolidated Entity"** and individually as **"Group entities"**). The Trust is a for-profit entity. The principal activities of the Consolidated Entity during the financial year were the derivation of rental income from investment properties located in the United States of America (**"USA"**) and New Zealand (**"NZ"**).

2. Basis of preparation

(a) Statement of compliance

The consolidated financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial report also complies with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB"). The financial report is presented in Australian Dollars.

The financial statements were authorised for issue by the Directors of the Responsible Entity on 31 August 2020.

(b) Going concern

The consolidated annual financial report of the Trust has been prepared on a going concern basis which contemplates continuity of normal business activities and the realization of assets and the settlement of liabilities in the ordinary course of business.

The available cash and cash equivalents at 30 June 2020 were $1,107,000 (30 June 2019: $1,039,000). Undrawn borrowings at 30 June 2020 total approximately $30.8m (30 June 2019: approximately $24.0m) and include the non-bank bridge facility.

The Responsible Entity has prepared cashflow budgets through to 31 August 2021 which indicates that the Trust will have sufficient funds and funding in place to meet its short-term working capital, committed repositioning and capex works, and financing requirements.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- investment properties are measured at fair value
- financial liabilities are measured at fair value

The methods used to measure fair values are discussed further in Note 3(c), 3(h) and 3(j).

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(d) Functional and presentation currency

The consolidated financial statements are presented in Australian dollars (**"A$"**), which is the Trust's presentation currency. The Trust's functional currency is Australian dollars; however, the Consolidated Entity is predominantly comprised of operations located in the USA and New Zealand. The functional currency of the controlled entities that hold these operations is United States dollars (**"US$"**) and New Zealand dollars **("NZ$"**).

The Trust and Consolidated Entity are of a kind referred to in ASIC Corporations (rounding in Financial/Directors Reports) Instrument 2016/191, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

(e) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant judgements, estimates and assumptions made by management in the preparation of these consolidated financial statements are outlined below:

- **Investment properties – Valuation**
  Investment properties are valued each reporting date to reflect their fair value according to the Trust's policy on valuing property (Refer to Note 3(i) for further details).

- **Financial liabilities – Valuation**
  The financial liability created by the loan modification agreement has been designated as a financial liability at fair value through profit and loss by Directors of the Responsible Entity (Refer to Note 12 for further details).

- **Lease assets and liabilities - Valuation**
  A right-of-use asset and a lease liability was recognised as at 1 July 2019. This was recognised as the present value of all expected future ground rent payments until the next ground lease renewal date then assumed the ground lease was renewed another 20/21 years and this period also included in the present value calculation.
  (Refer to Note18 for further details).

(e) Use of estimates and judgments (continued)

- **Expected credit loss**
  The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, group based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent revenue collection, historical collection rates, the impact of COVID-19 and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 8, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

- **Forward foreign exchange contracts - Valuation**
  Derivate financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

- **Tax – non recognition of Deferred Tax Liability**
  The US deferred tax liability is adjusted to reflect the movement in the fair value of the properties and their tax cost base. To the extent that the fair value of the properties is lower than the tax cost base no deferred tax balace is recognised.

3. Significant accounting policies

Except as set out below and on the following page the accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the Consolidated Entity's financial statements as at 30 June 2019.

(a) Basis of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controls. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses, have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the foreign currency closing exchange rate ruling at the end of the reporting period.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian dollars at the foreign currency closing exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in gains and losses on investments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents, are presented separately in the statement of profit or loss and other comprehensive income.

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(b) Foreign currency (continued)
Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at the exchange rate at reporting date. The income and expenses of foreign operations are translated to Australian dollars at the average exchange rate for the year.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve ("Translation reserve") in equity. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Consolidated Entity disposes of only part of its interest in a subsidiary that includes a foreign operation whilst retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(c) Financial instruments
(i) Classification

The Consolidated Entity's financial instruments comprise of:

- derivatives that are measured at fair value comprising foreign exchange contracts
- financial instruments that are classified as loans and receivables including trade and other receivables, which are at amortised cost
- financial liabilities that are not at fair value through profit or loss including trade and other payables and loans and borrowings, which are at amortised cost
- cash and cash equivalents measured at amortised cost.

(ii) Recognition

The Consolidated Entity recognises financial assets and financial liabilities at fair value through profit or loss on the date it becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they originated.

Financial liabilities are not recognised unless one of the parties has performed or the contract is a derivative contract not exempted from the scope of AASB 9 *Financial Instruments.*

(iii) Measurement

Financial instruments are measured initially at fair value ("transaction price") plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

(iii) Measurement (continued)

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of profit or loss and other comprehensive income.

Financial instruments classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any. Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

(iv) Derecognition

The Trust derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 9 *Financial Instruments.*

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(v) Fair value measurement principles

The fair value of financial instruments is based on valuation techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Consolidated Entity would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties. Specifically, the fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates on the valuation date.

(vi) Impairment

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition based on reasonable and supportable information that is available, without undue cost or effort to obtain.

(vi) Impairment (continued)

Where there has been no significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default even that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the lift of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

(vii) Specific instruments

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Derivative financial instruments

The Trust and Consolidated Entity have previously used derivative financial instruments to partially hedge their exposure to interest rate risks arising from investment activities. In accordance with its investment strategy, the Trust and Consolidated Entity do not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting would be accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred.

(d) Interest income and expense

Interest income and expense is recognised in the statement of profit or loss and other comprehensive income as it accrues, using the effective interest method of the instrument calculated at the acquisition or origination date. Interest income and expense includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(e) Expenses

All expenses, including Responsible Entity, Asset management fees and Custodian fees, are recognised in profit or loss on an accrual's basis.

(f) Distribution and taxation

Distributions from the US REIT

Distributions of earnings and profits made by the Trust's subsidiary, Mariner American Property Income REIT, Limited (the **"US REIT"**) for the financial year are not taxable. Distributions that are in excess of its earnings and profits are treated as non-taxable returns of capital to the Trust to the extent of the Trust's adjusted tax cost basis in the units of the US REIT.

Distributions made by the US REIT which are attributable to capital gains from disposal of the US properties are subject to US tax at a special rate of 35%. The Consolidated Entity recognises a deferred tax liability at 35% on the difference between the fair value of the properties and their tax cost base under the US tax regulation. The deferred tax liability is adjusted to reflect the movement in the fair value of the properties and their tax cost base. To the extent that the fair value of the properties is lower than the tax cost base no deferred tax asset is recognised.

Distributions from the NZ REIT

The NZ REIT is required to return rental income in New Zealand as taxable income. It is allowed to deduct expenditure against this income including depreciation on plant and equipment, fixtures, commercial fit-out and interest expenditure (subject to thin capitalisation). The net taxable income is subject to tax at the company tax rate at 28%. No income tax expense, deferred tax asset or deferred tax liability has been recognised.

Distributions by the head Trust to unitholders in Australia

Provided the Trust distributes its taxable income to unitholders the trust will not be liable to income tax.

Distributions from the Trust to unitholders are from available cash flows and not directly related to the accounting profit. Distributions can be a mixture of tax deferred distributions as well as taxable income distributions. Under current legislation the Trust is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders. The Trust fully distributes its distributable income, calculated in accordance with the Trust Constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the Constitution.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses the excess is distributed to the unitholders.

(g) Goods and services tax

Management fees, custody fees and other expenses are recognised net of the amount of goods and services tax ("**GST**") recoverable from the Australian Taxation Office ("**ATO**") as a reduced input tax credit ("**RITC**").

Payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO or Inland Revenue New Zealand ("**IRD**") is included in receivables in the statement of financial position. Cash flows are included in the statement as cash flows on a gross basis.

(h) Investment properties

Investment properties comprise investment interests in land and buildings (including integral plant and equipment) held for the purpose of letting to produce rental income or for capital appreciation or for both. Land and buildings comprising the investment properties are considered composite assets and are disclosed as such in the accompanying notes to the consolidated financial statements.

Investment properties acquired are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Where the contracts of purchase include a deferred payment arrangement, amounts payable are recorded at their present value, discounted at the rate applicable to the Trust if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

Investment properties are subsequently stated at fair value with any change therein recognised in profit or loss. Fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(i) Property valuations

Valuations are undertaken internally by knowledgeable property professionals each reporting period and external, independent valuations are obtained if Directors of the Responsible Entity are of the opinion that the market has moved materially.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

Valuations reflect, where appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time. Any gain or loss arising from a change in fair value is recognised in profit or loss.

Valuations are predicated on marketing programs with terms of 6-12 months (as stated in the independent valuations) appropriate for the hypothetical sale of individual assets. However, Directors consider that book values may not be realised in the event of a sale without the benefit of an appropriate marketing program.

(j) Rental income

Rental income from investment properties is recognised under AASB 16 Leases, on a straight-line basis over the lease term. Rental income not received at reporting date is reflected in the statement of financial position as a receivable or if paid in advance within payables, as rent in advance. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease, on a straight-line basis, as a reduction of lease income.

Lease incentives provided by the Consolidated Entity to lessees, and rental guarantees which may be received from third parties (arising on the acquisition of investment property) are excluded from the measurement of fair value of investment property and are treated as separate assets as presented in Note 10 if applicable. Such assets are amortised over the respective periods to which the lease incentives and rental guarantees apply, either using a straight-line basis, or a basis which is representative of the pattern of benefits.

Contingent rents based on the future amount of a factor that changes other than with the passage of time including turnover rents and CPI linked rental increases are only recognised when contractually due.

(k) Deferred leasing and tenancy costs

Expenditure on direct leasing and tenancy costs is capitalised and written off over the lease term in proportion to the rental revenue recognised in each financial year.

(l) Operating segments

The Consolidated Entity determines and presents operating segments based on the information provided to the Chief Executive Officer ("**CEO**") of the Responsible Entity, who is the Consolidated Entity's chief operating decision maker.

(m) Adoption of new and amended accounting standards that are first operative at 1 July 2019

The new accounting standard AASB 16 Leases became effective for the Trust on 1 July 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Trust adopted AASB 16 using the modified retrospective approach with no cumulative adjustment recognised in retained earnings. Right of use assets recognised were equal to the value of lease liabilities recognised. Lease liabilities were measured at the present value of the remaining lease payments at 30 June 2020.

4. Other operating expenses

	Consolidated 2020 $'000	2019 $'000
Audit and accounting at the Head Trust	**85**	108
Expense recovery	**201**	168
Legal fees	**300**	265
Property general and administrative	**1,282**	466
Registry services	**26**	44
Taxation fees	**42**	19
Bad debts written off	**-**	24
Other trust level expenses	**288**	369
Total other operating expenses	**2,224**	1,463

5. Auditor's remuneration

	Consolidated 2020 $	2019 $
Auditors of the Trust - Pitcher Partners		
Audit and review of the financial reports	**66,250**	63,750
Other regulatory audit services	**-**	4,500
Taxation services	**12,400**	14,590
Total auditors remuneration	**78,650**	82,840

6. Taxation

The Trust is subject to 35% capital gains tax in the U.S.A. on the future disposal of its investment property. In previous years, the Trust recognised a deferred tax liability being 35% of the difference between the fair value in US dollars compared to the tax cost base in US dollars, translated to Australian dollars. However, due to the diminution in value of the investment property, the fair value is now less than the tax cost base and as a result, it is not probable that a capital gains tax liability would arise. As at the reporting date, the fair value of the investment property remains less than the tax cost base.

The Trust has not recognised a deferred tax asset of $1,217,302 (2019: $3,199,599) in relation to the investment property, as it is not probable that future taxable profits will be available against which the Trust can utilise the benefit.

7(a). Cash and cash equivalents

	Consolidated	
	2020 $'000	2019 $'000
Cash held at banks	1,107	1,039
	1,107	1,039

7(b). Reconciliation of cash flows from operating activities

	2020 $'000	2019 $'000
Profit/(loss) before tax	9,526	2,560
Adjustments for:		
Foreign exchange gain	52	(12)
Amortisation of deferred loan charges and others	497	(64)
Lease straight-lining	(443)	(441)
Changes in fair value of investment properties	(10,968)	(5,074)
Change in fair value of financial liability	-	(1,228)
Interest received classified as in activity	-	-
Borrowing costs	3,098	4,592
Bad debts written off	262	(24)
Gain on refinance	-	84
	2,027	393
Changes in assets and liabilities during the year		
Change in trade and other receivables and other assets	(1,355)	(621)
Change in trade and other payables	215	2,160
Borrowing costs paid	(3,548)	(3,443)
	(4,688)	(1,904)
Net cash (used in)/from operating activities	(2,661)	(1,511)

8. Trade and other receivables

	Consolidated	
	2020 $'000	**2019 $'000**
Current		
Trade and other receivables	**1,435**	222
Provision for expected credit loss	**(305)**	-
	1,130	222

9. Other assets

	Consolidated	
	2020 $'000	**2019 $'000**
Current		
Prepaid expenses and acquisition costs	**425**	575
Derivatives (fair value)	**597**	-
	1,022	575
Non-current		
Property related deposits*	**781**	1,281
Loan to Responsible Entity**	**150**	150
	931	1,431

* Property related deposits are comprised of tenant improvement reserves, capital replacement reserves, insurance escrows and real estate taxes escrows held in the United States and New Zealand.

** The loan to the Responsible Entity is unsecured and relates to the AFSL (see note 21).

10. Investment properties

		Consolidated 2020 $'000	2019 $'000
Non-current			
Investment properties - at fair value		**165,542**	108,857
		165,543	108,857
The movement in carrying amount is reconciled as follows:			
Carrying amount at the beginning of the year		**108,857**	64,849
New acquisitions		**34,198**	27,775
Lease straight-lining		**237**	438
Improvements to investment properties (including tenant incentives)		**12,733**	7,145
Gain/(loss) due to foreign currency translation		**(1,703)**	2,791
Deferred leasing costs		**1,330**	785
Asset revaluation increments	(ref 10 (iii))	**10,968**	6,971
Fair value increment/(decrement)	(ref 10 (iii))	**(1,077)**	(1,897)
Carrying amounts at the end of the year		**165,543**	108,857
Comprising:			
Deferred rental income		**2,139**	1,697
Deferred leasing costs		**1,330**	1,668
Fair value of properties (excluding straight-lining)		**162,074**	105,492
		165,543	108,857

Measurement of fair value

Investment properties are measured at fair value with any change therein recognised in profit or loss.

(i) Fair value hierarchy

The Trust has an internal valuation process for determining the fair value at each reporting date. An independent valuer, having an appropriate professional qualification and recent experience in the location and category of the property being valued, values individual properties if considered appropriate. These external valuations are taken into consideration by the Directors of the Responsible Entity when determining the fair values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgably, prudently and without compulsion.

An Independent valuation for 1 Albert St, 10 & 12 Viaduct Harbour , 110 Customs St West and 87 Albert St, Auckland was conducted by Jones Lang LaSalle as at 30 June 2020.

The Higgin property value is based on two broker opinions as at 30 June 2020 and conditional contracts for the value of the billboards and a land parcel.

10. Investment properties (continued)

(ii) *Fair value hierarchy (continued)*

The fair value measurement for the investment properties listed below as at 30 June 2020 has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 10(iii)).

	$
1700 W Higgins, Chicago (Higgins)	30,873,000
1-3 Albert St, Auckland	67,793,000
10 Viaduct Harbour Ave, Auckland	11,905,000
12 Viaduct Harbour Ave, Auckland	14,034,000
110 Customs St West, Auckland	11,036,000
87 Albert St, Auckland	29,902,000
	165,543,000

(iii) Level 3 fair value

The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values.

	$'000
Balance at the beginning of the year	108,857
Items included in profit and loss	
Change in fair value of investment property (unrealised)	9,891
Rental income (Lease straight-lining)	237
Item included in other comprehensive income:	
Gain due to foreign currency translation	(1,703)
New acquisitions	34,198
Deferred leasing costs	1,330
Improvements to investment properties	12,733
Balance at the end of the year	**165,543**

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10. Investment properties (continued)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
USA Properties Discounted cash flows: The valuation model considers the present value of the net cash flows to be generated from the property, taking into account expected rental growth rate, vacancy periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid for by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the determination of an appropriate discount rate takes into consideration the quality and location of the building, tenant credit quality and lease terms.	• Broker opinions of value • Rent escalations: $0.50 p/a • Current occupancy of 64%, • Assumed stabilized occupancy of 70% in year 3 • Downtime: 9 months • Renewal probability: 75% • Market/exit cap rate: 8.0%	The estimated fair value would increase/(decrease) if: • Expected market rental growth was higher/(lower) • The current occupancy rate was higher/(lower) • The lease up or absorption period of the vacant space was shorter/(longer) • The vacancy periods between leases was shorter/(longer) • The vacancy factor is lower/(higher). • The stabilised occupancy is higher/(lower) • The risk adjusted discount rate was lower/(higher)
NZ Properties Discounted cash flows: The valuation model considers the present value of the net cash flows to be generated from the property, taking into account expected rental growth rate, vacancy periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid for by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the determination of an appropriate discount rate takes into consideration the quality and location of the building, tenant credit quality and lease terms.	• Market rental growth: approx. 2.5%p/a • Occupancy has been assumed as 100% • Stabilized occupancy for 1 Albert St is yr3. Includes capex, risk, profit and letting up allowances • Discount rates: 6.75% - 7.75% • Cap rates: 5.0% - 7.25% • Agreed ground rents	The estimated fair value would increase/(decrease) if: • Expected market rental growth is higher/(lower) • Occupancy is (lower) • The lease up periods and letting up costs at 1Albert St are higher/(lower) • The vacancy periods between leases are shorter/(longer) • The risk adjusted discount rate was lower/(higher) • The actual ground rent reviews are higher/(lower)

10. Investment properties (continued)

Leases as lessor

The Trust leases out the investment properties under operating leases which are subject to either fixed rent reviews, indexed rent reviews or market rent reviews and subsequent renewals are negotiated with the lessee. No contingent rents are charged. The weighted average lease term at the Higgins property at 30 June 2020 is 7.9 years (2019: 6.9 years) and the New Zealand properties at 30 June 2020 is 2.92 years (2019: 2.41 years). The future minimum lease payments receivable under non-cancellable leases are as follows:

	Consolidated	
	2020 $'000	2019 $'000
Leases as lessor		
Less than one year	**5,334**	4,358
Between one and five years	**11,426**	10,076
More than five years	**7,937**	10,684
	24,697	25,118

11. Trade and other payables

	Note	Consolidated 2020 $'000	2019 $'000
Current			
Payable to the Responsible Entity	21	**-**	127
Trade payables		**3,637**	3,417
Tenants' security deposits		**241**	230
Retentions held		**156**	66
Rent received in advance		**163**	87
CAM charged payable to tenants'		**143**	254
Accrued real estate taxes		**426**	415
Accrued interest payable		**334**	289
		5,100	4,885

12. Financial liabilities

	Note	Consolidated 2020 $'000	2019 $'000
Current			
Financial liabilities Bridge loan – amortised cost	13	**-**	1,150
		-	1,150
Non-current			
Bank loans secured – amortised cost	13	**75,534**	49,434
Total financial liabilities		**75,534**	49,434

12. Financial liabilities (continued)

Debt maturity profile

The debt maturity profile as at the reporting date was as follows:

Property	Loan maturity date		Rate	2020 $'000	2019 $'000
1700 Higgins (Secured)	1 February 2022	Floating	LIBOR(USA)	16,305	14,546
1 Albert St, 10-12 Viaduct, 110 Customs St, 87 Albert St (Secured)	22 October 2021	Floating	BKBM(NZ)	59,229	34,888
Other borrowings – Subordinate Bridge loan	22 October 2021	Fixed	Up to15.0%	-	1,150
				75,534	50,584

The weighted average debt maturity of the current drawn debt facilities (excluding extension options) is 1.4 years.

13. Current and Non current financial liabilities – Terms and Conditions

Bank Loans Secured

1700 Higgins Loan (Refinanced 25 January 2019)

On 25 January 2019 the Trust refinanced the Higgins loan with a new secured loan of US$9.7m and $US2.0m of equity which was funded from the proceeds of the capital raising which closed on 21 December 2018. The loan was refinanced with the maturity date of 1 February 2022 with options to extend. The interest rate is a 3.75% p.a. margin over LIBOR. Key terms of the new loan are:

Key details of the secured loan with the new lender are as follows:

	US$	A$
Loan limit:	$14.0m	$20.4m
Initial funding:	$9.7m	$14.1m
Funding drawn to date for IT/LC/Capex:	$1.5m	$2.2m
Undrawn future funding for TI/LC/Capex:	$2.8m	$4.1m
Maturity date:	1 February 2022 + extension options	

New Zealand Facility

The facility is syndicated with Bank of New Zealand in NZ and Industrial and Commercial Bank of China (New Zealand) Limited (ICBC) and the terms are typical for a secured property loan of this nature with a maturity date of 22 October 2021. The interest rate is a 2.4% p.a. margin on BKBM rate. The loan is secured by charges over all the NZ properties.

13. Current and Non current financial liabilities – Terms and Conditions (continued)

Other borrowings (Other, Non bank subordinated loan and A Units)

The keys terms (limit, repayment and interest rate) of the other loan, Non bank subordinated bridge loan is as follows:

1. Other borrowings – Bridge loan limit of $15,000,000 plus interest to repayment date (currently undrawn)

- Interest rate – up to 15% annualised, accrued monthly and capitalised
- Maturity date – 22 October 2021

The changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes are as follows:

	2019	Cash flows	Non-cash changes		2020
			Foreign exchange movement	Fair value changes	
	$'000	$'000	$'000	$'000	$'000
Long-term borrowings	49,434	25,129	321	20,145	95,029
Short-term borrowings	1,150	(1,150)	-	-	-
	50,584	**(23,979)**	**321**	**20,145**	**95,029**

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14. Capital and reserves

Capital management

Trust gearing at 30 June 2020 (debt to total assets) is 39.9% (30 June 2019: 45.1%). Undrawn borrowings total approximately $30.8m. The undrawn borrowings are to fund re-positioning and capex works in NZ and USA as well as for working capital.

The Trust may hedge its interest rate exposure as it utilises its undrawn borrowings and also hedge its net asset US$ and NZ$ foreign exchange exposure.

Issued capital

The movement in the Trust's issued capital during the year is shown below:

	2020		2019	
	No. of units	$'000	No. of units	$'000
Opening balance	**58,168,199**	**261,706**	2,105,742	206,137
Units issued:	**-**	**-**	-	-
Pro-rata entitlement offer*	**22,173,951**	**24,352**	-	-
UPP units issued to participants	**-**	**-**	96,295	95
UPP units to underwriter + placement	**-**	**-**	55,965,927	55,474
Rounding on unit consolidation at 5 Mar 19	**-**	**-**	235	-
	80,342,150	**286,058**	58,168,199	261,706

* 1 : 2.46 non-renounceable pro-rate entitlement offer

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations which are predominantly represented by the Higgins property, NZ entities and intercompany loans. The balance of the translation reserve at 30 June 2020 was $3,867,000 (30 June 2019: $5,301,000) and will be realised upon disposal of the property and extinguishment of its corresponding loans.

15. Financial instruments – Fair values and risk management

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

30 June 2020		Carrying amount				Fair value			
	Note	Designated at fair value $'000	Cash, Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at amortised cost									
Trade and other receivables	8	-	1,130	-	1,130	-	-	-	-
Cash and cash equivalents	7(a)	-	1,107	-	1,107	-	-	-	-
Financial assets measured at fair value									
Other assets (Derivates)	9	931	597	-	597	-	597	-	597
Financial liabilities measured at amortised cost									
Trade payables	11	-	-	5,100	5,100	-	-	-	-
Lease liabilities	18	-	-	19,456	19,456	-	-	-	-
Bank loans	12	-	-	75,534	75,534	-	-	-	-

15. Financial instruments – Fair values and risk management (continued)

(a) *Accounting classifications and fair values (continued)*

30 June 2019		Carrying amount				Fair value			
	Note	Designated at fair value	Cash, Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at amortised cost									
Trade and other receivables	8	-	222	-	222	-	-	-	-
Cash and cash equivalents	7(a)	-	1,039	-	1,039	-	-	-	-
Financial liabilities not measured at fair value									
Trade payables	11	-	-	4,885	4,885	-	-	-	-
Other loan	12	-	-	1,150	1,150	-	-	-	-
Bank loans	12	-	-	49,434	49,434	-	-	-	-

Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Consolidated Entity's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The strategy on the management of investment risk is driven by the Trust's investment objective. The market risk is managed on a daily basis by the Responsible Entity in accordance with the investment guidelines as outlined in the Trust's PDS and subsequent announcements.

Foreign currency risk
The Trust is exposed to exchange rate fluctuations on its investments in the United States of America ("**USA**") and New Zealand ("**NZ**"), since its investments is denominated in Australian dollars ("**AUD**"). The Trust invests in properties in the USA and NZ acquired with USA dollars and NZ dollars loans which provide a partial natural hedge.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

15. Financial instruments – Fair values and risk management (continued)

As at the reporting date, the Consolidated Entity's total gross exposure to financial assets and liabilities which are held in foreign currency at the end of the reporting period was as follows:

	2020			2019		
	AUD $'000	USD* $'000	NZD* $'000	AUD $'000	USD* $'000	NZD* $'000
Cash and cash equivalents	420	126	561	931	68	40
Receivables and other assets	158	100	872	64	1	157
Other assets - current	606	37	379	8	12	555
Other assets - non-current	150	711	70	150	1,168	113
Payables	(218)	(1,528)	(3,354)	(242)	(1,837)	(2,806)
Loans and borrowings	-	(16,305)	(59,229)	(1,150)	(14,546)	(34,888)
Net statement of financial position exposure	**1,116**	**(16,859)**	**(60,701)**	**(239)**	**(15,134)**	**(36,829)**

* These amounts are expressed in AUD but represent financial instruments that are denominated in US dollars and NZ dollars and converted to AUD on consolidation.

Forward foreign exchange contracts
In order to protect against exchange rate movements, the consolidated entity has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year. The effects of the statement of financial position at the reporting date were as follows:

Consolidated	Nominal amount $'000	Carrying amount $'000	Change in fair value $'000
Forward foreign exchange contracts at 30 June 2020	7,680	557	443

Sensitivity analysis
A reasonably possible strengthening (weakening) of the AUD against the USD and NZD at 30 June 2020 would have affected the measurement of financial instruments and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Consolidated			
	Profit or loss		Equity, net of tax	
	Strengthening $'000	Weakening $'000	Strengthening $'000	Weakening $'000
30 June 2020				
USD (10% movement)	864	(864)	(1,274)	1,274
30 June 2019				
USD (10% movement)	109	(109)	487	(487)
30 June 2020				
NZD (10% movement)	(804)	804	(6,704)	(6,704)
30 June 2019				
NZD (10% movement)	(646)	646	(3,956)	3,956

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15. Financial instruments – Fair values and risk management (continued)

Interest rate risk

The NZ loan and US loans are variable interest rate loans. A strengthening (weakening) of the interest rate would affect the profit and loss. The analysis below shows the impact of a 1% interest rate change.

Interest movements – variable rate instruments

	Impact on Borrowing Costs					
	2020			2019		
	Actual $'000	+1% $'000	-1% $'000	Actual $'000	+1% $'000	-1% $'000
Loans and borrowings - variable	75,534	755	755	49,434	494	494
Cash and cash equivalents	1,107	11	11	1,039	10	10

Exposures arise predominantly from assets and liabilities bearing non fixed interest rates. The Consolidated Entity's exposure to interest rate risk is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements. As at the reporting date, the interest rate profile of the Consolidated Entity's interest-bearing financial instruments as reported was:

	Consolidated	
	2020 $'000	2019 $'000
Fixed-rate instruments		
Loans and borrowings	-	(1,150)
Lease liabilities	(19,495)	
Variable-rate instruments		
Cash and cash equivalents	1,107	1,039
Loans and borrowings	(75,534)	(49,434)

Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Consolidated Entity's receivables from customers and investments in debt securities.

The Consolidated Entity has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The carrying amounts of financial assets best represent the maximum credit risk exposure at the end of the reporting period. There is a provision of doubtful debts at 30 June 2020 for financial assets that are past due or impaired which are considered to have significant credit risk.

The Consolidated Entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry, country in which customers operate and historical trends.

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15. Financial instruments – Fair values and risk management (continued)

Trade and other receivables

At 30 June 2020, the maximum exposure to credit risk for trade and other receivables by geographic region was as follows:

	2020 $'000	2019 $'000
USA	**100**	1
Australia	**158**	64
New Zealand	**872**	157
	1,130	**222**

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation. The Consolidated Entity's liquidity risk is monitored on a monthly basis by the Responsible Entity.

The table below presents cash flows on financial liabilities payable by the Consolidated Entity by remaining contractual maturities at the end of the reporting period. The amounts disclosed are the contractual, undiscounted cash flows:

		Contractual cash flows				
	Carrying amount $'000	Total $'000	6 months or less $'000	6-12 months $'000	12-24 months $'000	More than 24 months $'000
2020						
Non-derivative financial liabilities						
Trade payables	5,100	5,100	4,433	667	-	-
Other loan	-	-	-	-	-	-
Bank loans	75,534	75,534	-	-	75,534	-
Lease liabilities	19,495	19,495	670	670	1,368	16,787
	100,129	**100,129**	**5,103**	**1,337**	**76,902**	**16,787**
2019						
Non-derivative financial liabilities						
Trade payables	4,885	4,885	4,239	646	-	-
Other loan	1,150	1,150	-	1,150	-	-
Bank loan	49,434	49,434	-	-	34,888	14,546
	55,469	**55,469**	**4,239**	**1,796**	**34,888**	**14,546**

There are no cash flows associated with derivatives that are cash flow hedges and that are expected to occur and impact profit or loss.

15. Financial instruments – Fair values and risk management (continued)

(b) Financial risk management

The Consolidated Entity has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market interest rate risk
- market foreign exchange rate risk

Risk management framework

The Consolidated Entity's Responsible Entity has overall responsibility for the establishment and oversight of the Consolidated Entity's risk management framework. The Responsible Entity has established a framework for developing and monitoring the Consolidated Entity's risk management policies. The Responsible Entity regularly reviews these policies.

The Consolidated Entity's risk management policies are established to identify and analyse the risks faced by the Consolidated Entity, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Entity's activities.

The Consolidated Entity's Audit Committee oversee how management monitors compliance with the Consolidated Entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Consolidated Entity.

16. Earnings per unit

The calculation of basic earnings/(loss) per unit at 30 June 2020 was based on the earnings attributable to unitholders of the Trust of $9,526,000 (2019: $2,560,000) and a weighted average number of units outstanding of 70,042,774(2019: 30,399,260), calculated as follows:

	2020 $	2019 $
Net profit/(loss) attributable to unitholders of the Trust	**9,526,263**	**2,559,905**

	2020	2019
Weighted average number of units (basic)		
In units		
Issued units at 1 July	58,168,199	2,105,742
Effect of units issued	11,874,575	28,293,518
Weighted average number of units at 30 June	**70,042,774**	**30,399,260**

Diluted earnings per unit

As there are no diluting factors in the year and comparative years, the diluted loss per unit is equal to the basic.

17. Operating segments

The main businesses of the Consolidated Entity are investment in properties located in the United States of America and New Zealand which is leased to third parties.

The Consolidated Entity has three reportable segments, based on the geographical location of each segment. Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit or loss after income tax as included in the internal management reports that are reviewed by the Chief Executive Officer (**"CEO"**) of the Responsible Entity. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

The amounts set out on the following page are expressed in AUD but represent amounts that are denominated in USD and NZD and converted to AUD on consolidation.

Consolidated Entity – 2020	**USA $'000**	**Australia $'000**	**NZ $'000**	**Total $'000**
External revenues	2,827	-	8,310	11,137
Interest income	-	61	-	61
Net gain/(loss) on foreign exchange	-	(52)	-	(52)
Net gain/(loss) on financial instruments	-	443	-	443
Other income	77	-	21	98
Total income	2,904	452	8,331	11,687
Borrowing costs	929	187	1,982	3,098
Other operating expenses	2,843	1,681	5,507	10,031
Total expenses	3,772	1,868	7,489	13,129
Changes in fair value of investment properties	4,184	-	6,784	10,968
Change in fair value of financial liability	-	-	-	-
Profit/(loss) before income tax	4,184	(1,416)	7,626	9,526
Income tax	-	-	-	-
Profit/(loss) after income tax	**3,316**	**(1,416)**	**7,626**	**9,526**
Segment assets	**31,847**	**1,335**	**156,046**	**189,228**
Segment assets includes:				
Asset revaluation	4,184	-	6,796	10,980
Acquisition of non-current assets	-	-	34,198	34,198
Segment liabilities	**17,834**	**218**	**82,077**	**100,129**

17. Operating segments (continued)

Consolidated Entity – 2019	USA $'000	Australia $'000	NZ $'000	Total $'000
External revenues	2,544	-	5,561	8,105
Interest income	1	-	1	2
Net gain/(loss) on foreign exchange	-	12	-	12
Net gain on refinance of financial liability	84	-	-	84
Other income	-	-	2	2
Total income	2,629	12	5,564	8,205
Borrowing costs	1,041	2,169	1,382	4,592
Other operating expenses	2,388	1,539	3,428	7,355
Total expenses	3,429	3,708	4,810	11,947
Changes in fair value of investment properties	(1,909)	-	6,983	5,074
Change in fair value of financial liability	1,228	-	-	1,228
Loss before income tax	(1,481)	(3,696)	7,737	2,560
Income tax	-	-	-	-
Profit/(Loss) after income tax	**(1,481)**	**(3,696)**	**7,737**	**2,560**
Segment assets	**26,041**	**1,152**	**84,931**	**112,124**
Segment assets includes:				
Asset revaluation	(1,909)	-	6,983	5,074
Acquisition of non-current assets	-	-	27,474	27,474
Segment liabilities	**16,383**	**1,392**	**37,694**	**55,469**

18. Adoption of AASB 16 Leases

The new accounting standard AASB 16 Leases became effective for the Trust on 1 July 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

This note explains the impact of the adoption of AASB 16 on the Trust's financial statements upon transition and for the year.

(a) Transition
Transition approach
The Trust adopted AASB 16 using the modified retrospective approach with no cumulative adjustment recognised in retained earnings. Right of use assets recognised were equal to the value of lease liabilities recognised. Lease liabilities were measured at the present value of the remaining lease payments at 30 June 2020.

Impact of adoption
The Trust has lease arrangements where it is a lessee which are required to be recognised on balance sheet upon adoption of AASB 16. These primarily related to commercial office space (including sub leases of commercial offices where the Trust is the intermediate lessor).

Commercial offices
The Trust recognised right of use assets and lease liabilities for these lease arrangements which were previously classified as operating leases. In respect of commercial office leases:

- The Trust also has certain sub lease arrangements in place. For these leases, lease classification was reassessed by reference to the right-of-use asset arising from the head lease. Where the sub leases met the definition of a finance lease under AASB 16, the Trust derecognised the right of use asset for the head lease and recognised a net investment in the lease based on the present value of the lease payments received by the Trust.

The result of the above impacted on the consolidated financial statements at 30 June 2020:

- right of use assets of $19.5m and corresponding lease liabilities of $19.5m were recognised;
- ground lease payments of $1.5m were recognised as lease liability interest charges and reflected as such in the statement of profit or loss.

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18. Adoption of AASB 16 Leases (continued)

The table below shows the movement in the Trust's lease related balances for the period. There are no low value leases or leases less than 12 months that have not been included in the calculation.

	Assets	Liabilities
For the year ended 30 June 2020	**Right of use assets $'000**	**Investment property leaseholds $'000**
Opening balance – 1 July 2019	-	-
AASB 16 adjustment	20,145	(20,145)
Interest charge on lease liabilities	-	(1,482)
Ground lease payments	-	1,482
Change in fair value of financial asset/liability due to foreign exchange	(650)	(650)
Closing balance	**19,495**	**19,495**

The accounting treatment the Trust adopts is different to other leasehold assets as the Trust's leasehold interests are perpetually renewable every 20/21 years. A right-of-use asset and a lease liability was recognised as at 1 July 2019. This was recognised as the present value of all expected future ground rent payments until the next ground lease renewal date then assumed the ground lease was renewed another 20/21 years. This period also included in the present value calculation with an interest rate of 7%. All ground lease payments are recognised as an interest charge in the Profit and Loss statement.

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19. Parent entity

As at, and throughout, the financial year ended 30 June 2020 the parent entity (**"Parent Entity"**) of the Consolidated Entity was the Trust.

Results of the Parent Entity	2020 $'000	2019 $'000
Loss for the year	(572)	(3,254)
Other comprehensive income	-	-
Total comprehensive loss for the year	**(572)**	**(3,254)**
Financial position of the Parent Entity at year end	**2020 $'000**	**2019 $'000**
Current assets	1,184	1,002
Non-current assets	74,874	52,451
Total assets	76,058	53,453
Current liabilities	218	1,392
Non-current liabilities	-	-
Total liabilities	218	1,392
Total equity of the Parent Entity comprising of:	**2020 $'000**	**2019 $'000**
Issued capital	286,058	261,707
Reserves	(3,187)	(3,187)
Accumulated losses	(207,031)	(206,459)
Total equity	**75,840**	**52,061**

20. Group Entities

	Class of units	Consolidated Entity Interest 30 June 2020 %	Consolidated Entity Interest 30 June 2019 %
Parent Entity			
Quattro Plus Real Estate			
Controlled entities			
Mariner American Property Income REIT, Limited	Ordinary	99.9	99.9
ATT USA 1 Trust	Ordinary	100	100
ATT NZ 1 Trust	Ordinary	100	100
Controlled entities of Mariner American Property Income REIT, Limited			
Mariner Higgins Centre Manager LLC	Ordinary	100	100

The parent entity, ATT USA 1 Trust and ATT NZ 1 Trust are incorporated in Australia whilst all the other controlled entities are incorporated in the USA. Mariner American Property Income REIT Limited has preferred units on issue held by external parties. Ultimately, Quattro Plus Real Estate owns 99.9% of the issued capital of Mariner American Property Income REIT Limited. There are no significant restrictions which restrict the ability of the controlled entities to transfer funds to the parent by way of cash distributions or loan repayments.

21. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of the key management of the Trust. Related party transactions are transfers of resources, services or obligations between related parties and the Trust, regardless of whether a price has been charged.

Quattro RE Limited (the "Responsible Entity") and Alceon Group Pty Limited are considered to be related parties of the Trust. Alceon Group Pty Limited is considered a related party due to its significant ownership in the Trust.

Key management personnel

The Trust does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Trust and this is considered the Key Management Personnel ("KMP"). The Directors of the Responsible Entity at any time during the financial year were as follows:

Antony Wood
Andrew Saunders
Peter Chai
Nicholas Hargreaves

21. Related parties (continued)

Other than as disclosed, The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the Responsible Entity or its key management personnel or their personally related entities at any time during the reporting period.

Unit holdings of the Responsible Entity and its key management personnel

Mr. Andrew Saunders, a Director and the Company Secretary of the Responsible Entity, and his associates own 437,879 units in the Trust. Alceon Group Pty Limited own 77,061,048 units in the Trust.

Related party investments held by the Trust

As at 30 June 2020 the Trust held no investments in the Responsible Entity or their associates (2019: Nil).

Responsible Entity fees, related party fees and other transactions

Except as disclosed in these consolidated financial statements, no Director of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by the Responsible Entity or a related entity with a Director or with a firm of which a Director is a member or with an entity of which a Director of the Responsible Entity has a substantial interest. All transactions with related parties are conducted on normal commercial terms and conditions.

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21. Related parties (continued)

	Note	2020 $	2019 $
Transactions with related parties - Consolidated			
Charged by the Responsible Entity and related parties:			
Responsible Entity/Management fees	see i below	**1,008,933**	623,604
Acquisition fees		**478,293**	391,937
Capital arrangement fees		**251,677**	130,646
Expense recoveries		**201,250**	168,000
Loan interest – Alceon Group Pty Limited		**139,951**	1,991,034
		2,080,104	3,305,221
Balances outstanding with related parties - Consolidated			
To the Responsible Entity (included in payables)			
Responsible Entity fees		**-**	126,743
	11	**-**	126,743
Unsecured loan receivable - Consolidated			
Quattro RE Limited		**150,000**	150,000
	9	**150,000**	150,000
Unsecured non-bank bridge loan payable - Consolidated			
Alceon Group Pty Limited		**-**	1,150,000
	12	**-**	1,150,000

i. Responsible Entity fees are calculated on the following basis:

- 0.75% of the asset value
- Quattro Management No 2 Pty Limited was appointed to act as the Trust's investment manager under a delegated authority by the Responsible Entity. Quattro Management No 2 Pty Limited is owned equally by a related entity of Andrew Saunders and a related entity of Alceon Group Pty Limited.

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22. Capital commitments

On 20 July 2020 the Trust entered into an amendment to a conditional Purchase and Sale agreement dated 16 April 2020 to acquire land (adjacent to the Higgins asset) from the Village of Rosemont for US$630,000. If the acquisition completes then settlement can be no later than 21 December 2020.

Commitments for capital works contracted and underway but not yet completed at 30 June 2020 total NZ$4.9m.

During the year, the Trust entered into an option to acquire two office buildings at 16 Federal Street and 60 Kingston Street that adjoin and effectively back onto 87 Albert Street. If certain conditions, including funding are met to the satisfaction of the Trust by 31 December 2020, and the option is exercised, the contract price will be NZ$60.0m and settlement will be on or around 21 January 2021.

23. Contingencies

In the opinion of the Responsible Entity there are no contingent assets, contingent liabilities or commitments subsisting at or arising since the reporting date not otherwise disclosed in this report.

24. Events subsequent to the end of the reporting period

On 3 August 2020 the Trust agreed an increase to its BNZ facility of NZ$6.5m to provide additional funding for redevelopment and refurbishment projects currently underway. The BNZ facility has a limit of NZ$76.9m and at 30 June 20 was drawn to NZ$63.4m

Directors' declaration

1. In the opinion of the Directors of Quattro RE Limited ("Responsible Entity"), the Responsible Entity for Quattro Plus Real Estate ("Trust"):

   (a) the consolidated financial statements and notes, set out on pages 13 to 54, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

   (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from persons performing the chief executive function and chief financial officer function for the year ended 30 June 2020.

3. The Directors draw attention to Note 2(a) of the financial report which contains a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Responsible Entity:

Andrew Saunders
Director

Sydney, 31 August 2020

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QUATTRO PLUS REAL ESTATE
ARSN 114 494 503
INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF QUATTRO PLUS REAL ESTATE

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Quattro Plus Real Estate "the Trust" and its controlled entities "the Consolidated Entity", which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Quattro RE Limited "the Responsible Entity", would be in the same terms if given to the Directors as at the time of this auditor's report.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How our audit addressed the key audit matter**
Investment properties *Refer to Note 10 in the Notes to the Financial Statements.*	
The Consolidated Entity has interests in commercial investment properties which is carried at a fair value of $165,543,000 at 30 June 2020 which represents 87.5% of total assets. Fair value is determined by reference to independent valuations, with changes in fair value recognised in the statement of profit or loss and other comprehensive income. Valuations contain a number of key inputs and assumptions. Changes in certain inputs and assumptions can lead to significant changes in the valuation. Note 10 of the financial statements discloses the key inputs and assumptions.	Our procedures included, amongst others: • Evaluating the Consolidated Entity's processes and assessing the design and operating effectiveness of relevant controls over recording and reporting the determination of the carrying value of investment properties; • Assessing the independence, competence and objectivity of the external valuers; • Assessing the key inputs and assumptions used in the valuations with particular focus on occupancy rates, growth rates for rental income and property outgoings, capitalisation and discount rates, and capital expenditure; • Agreeing data used in the valuations to the actual and budgeted financial performance of the properties; • Considering the adequacy of the disclosures in the financial statements.

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Other Information

The Directors of Quattro RE Limited "the Responsible Entity" are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Responsible Entity "the Directors" are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rod Shanley
Partner
31 August 2020

PITCHER PARTNERS
Sydney

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QUATTRO

ASX Additional information

Quattro Plus Real Estate (the **"Trust"**) is a registered managed investment scheme established and domiciled in Australia. The Trust is listed on the Australian Securities Exchange (**"ASX"**) under the code: QPR. Quattro RE Limited, is the Responsible Entity of the Trust.

The following information in relation to unit holdings is provided as at 11 August 2020.

Substantial unitholders

The number of units held by the Trust's substantial unitholders and the date on which the last notice was lodged with the ASX are as follows:

	Date of notice	No. of securities	% of issued capital
Alceon Group Pty Limited	18 December 2019	77,061,048	95.92%

Voting rights

The provisions of the *Corporations Act 2001* governing proxies and voting for meetings of members of registered managed investment schemes apply to the Trust except that no objection may be made to any vote cast at a meeting unless the objection is made at the meeting.

For so long as the Trust is listed on the ASX, the Responsible Entity and its associates are entitled to vote their interest on resolutions to remove the Responsible Entity and choose a new Responsible Entity.

Distribution of equity securities

Analysis of numbers of equity security holders by size of holdings:

Range	No. of unitholders	No. of securities	% of issued capital
1 to 1,000	461	37,785	0.05
1,001 to 5,000	18	37,941	0.05
5,001 to 10,000	10	81,983	0.10
10,001 to 100,000	6	151,419	0.19
100,001 and Over	10	80,033,022	99.62
Total	**505**	**80,342,150**	**100.00**

The number of security investors holding less than a marketable parcel on 11 August 2020 is 447 and they hold 27,156 securities.

On-market buy back

There is no current on-market buy-back.

QUATTRO

ASX Additional information (continued)
Twenty largest equity security holders

The 20 largest holders of quoted equity securities at 11 August 2020 are set out below:

	of securities	% of issued capital
ALCEON GROUP PTY LTD	57,578,903	71.67
ALCEON GROUP PTY LTD	19,482,145	24.25
J K M SECURITIES PTY LIMITED	1,500,000	1.87
QUATTRO RE LIMITED	437,879	0.55
MONAL PTY LIMITED	252,526	0.31
GUMIKAZ PTY LTD	202,021	0.25
FARINWAY PTY LTD	151,516	0.19
PRADHI HOLDINGS PTY LTD	151,516	0.19
PALN PTY LTD	151,516	0.19
VIVRE INVESTMENTS PTY LTD	125,000	0.16
ONE MANAGED INVT FUNDS LTD	37,973	0.05
MNJS FAMIY PTY LTD	30,304	0.04
JULIE PARKER PTY LIMITED	30,304	0.04
GRENFELD SUPERANNUATION PTY LTD	21,482	0.03
LAURUS LIMITED	20,000	0.02
KUSHKUSH INVESTMENT PTY LIMITED	11,356	0.01
MR ROBERT GERARD STARCE	10,000	0.01
MR JOSHUA CHARLES CARDW	10,000	0.01
MR JINXIANG LU	9,401	0.01
MR KENNETH EDWARD BAGLIN	8,814	0.01
MR BENJAMIN ROBERT DILLON	8,211	0.01
HEXT FAMILY INVESTMENTS PTY LIMITED	8,190	0.01
LYMGRANGE PTY LIMITED	7,776	0.01
MR LINDSAY ARTHUR FORD	7,438	0.01
Total	**80,254,271**	**99.89**

QUATTRO

Corporate directory

Registered and Administration office

Quattro RE Limited as responsible entity for Quattro Plus Real Estate
Level 9
117 Macquarie Street
Sydney NSW 2000
AUSTRALIA
Phone: 1800 622 812

Company secretary: Mr Andrew Saunders

Unit registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
AUSTRALIA
Phone: 02 8280 7111

Auditor

Pitcher Partners
Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Website

www.quattroplusrealestate.com.au