

The Trust Company (RE Services) Limited
ACN 003 278 831
AFSL 235150
Level 18, 123 Pitt Street
Sydney, NSW, 2000



4 April 2019

QRI : Correction to ASX Announcement dated 20 February 2019

Qualitas Real Estate Income Fund (ASX: QRI) refers to the Half Year Financial Statement announcement released to the market on 20 February 2019 under the title "Appendix 4D and HY19 Financial Statements".

It has come to our attention the final page of the financial statement (page 21) was omitted from the original announcement which we wish to rectify.

The corrected announcement entitled "Appendix 4D and HY19 Financial Statements – Complete Version" is attached.

-END-

For more information please contact:

Martin Farr
Senior Corporate Clients Manager
E: martin.farr@perpetual.com.au
T: +61 2 9229 9000

Qualitas Real Estate Income Fund
Appendix 4D
For the period 2 August 2018 to 31 December 2018

Details of Reporting Period

Current: Period 2 August 2018 to 31 December 2018
 Previous corresponding*: N/A

The Directors of The Trust Company (RE Services) Limited, the Responsible Entity of the Qualitas Real Estate Income Fund (the "Trust") announce the reviewed results of the Trust for the period 2 August 2018 to 31 December 2018 as follows:

* This is the first period of operations of the Trust and hence there are no prior period comparatives.

Results for announcement to the market

Extracted from Condensed Interim Financial Statements for the period 2 August 2018 to 31 December 2018.

	\$'000
Revenue from ordinary activities	727
Profit/(loss) from the period	304
Total comprehensive income/(loss) for the period	304

Details of distributions

On 21 December 2018, the Directors declared a distribution of 0.1534 cents per ordinary unit which amounted to \$221,674 and was paid on 10 January 2019.

Subsequent to period end, on 31 January 2019, the Directors declared a distribution of 0.2416 cents per ordinary unit which amounted to \$349,126 and was paid on 8 February 2019.

Details of distribution reinvestment plan

The Trust does not have a Distribution Reinvestment Plan.

Net Tangible Assets

	As at
	31 December 2018
Total Net Tangible Assets attributable to unitholders (\$'000)	231,292
Units on issue ('000)	144,506
Net Tangible Assets attributable to unit holders per unit (\$)	1.6006
Issue price of units	1.6000

Control gained or lost over entities during the period

Name of entities	Date of gain of control	Contribution to profit (\$'000)
Qualitas Wholesale Real Estate Income Fund	22/11/18	623

Details of associates and joint venture entities

The Trust did not have any interest in associates and joint venture entities during current period.

Independent review report

This report is based on the condensed interim financial statements which has been subject to an independent review by the Trust's Auditors, KPMG. All the documents comprise the information required by Listing Rule 4.2A.

Qualitas Real Estate Income Fund

ARSN 627 917 971

Condensed interim financial statements

For the period 2 August 2018 to 31 December 2018

Qualitas Real Estate Income Fund

ARSN 627 917 971

Condensed interim financial statements For the period 2 August 2018 to 31 December 2018

Contents	Page
Directors' report	2
Auditor's independence declaration	5
Condensed interim statement of comprehensive income	6
Condensed interim statement of financial position	7
Condensed interim statement of changes in equity	8
Condensed interim statement of cash flows	9
Notes to the condensed interim financial statements	10
Directors' declaration	19
Independent auditor's review report to the unitholders of the Qualitas Real Estate Income Fund	20

The condensed interim financial statements cover the Qualitas Real Estate Income Fund as an individual entity.

The Responsible Entity of the Qualitas Real Estate Income Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235 150).

The Responsible Entity's registered office is:
Level 18, Angel Place
123 Pitt Street
Sydney NSW 2000

Directors' report

The Directors of The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235 150) ("the Responsible Entity"), the Responsible Entity of the Qualitas Real Estate Income Fund ("the Trust"), present their report together with the condensed interim financial statements of the Trust for the period 2 August 2018 to 31 December 2018 and the auditor's review report thereon.

Principal activities

The Trust is a registered managed investment scheme that was constituted on 2 August 2018, registered with the Australian Securities and Investments Commission on 16 August 2018, commenced operations on 22 November 2018 and its units commenced trading on the Australian Securities Exchange (ASX: QRI) on 27 November 2018.

The Trust's investment strategy is for QRI Manager Pty Ltd (the "Manager") to invest the Trust's capital in a portfolio of investments that provide unitholders with exposure to real estate loans secured by first and second mortgages, predominantly located in Australia and from time to time in New Zealand. Amounts raised by the Trust are invested in the Qualitas Wholesale Real Estate Income Fund. At 31 December 2018, the Qualitas Wholesale Real Estate Income Fund invests directly in unlisted wholesale funds and directly in loan assets which includes the Qualitas Senior Debt Fund and a direct first mortgage loan position.

The Trust did not have any employees during the period.

Directors

The following persons held office as Directors of the Responsible Entity during the period and up to the date of this report:

Glenn Foster	
Christopher Green	Resigned as Director on 17 October 2018
Michael Vainauskas	
Andrew McIver	Alternate Director for Michael Vainauskas
Richard McCarthy	Appointed Director on 17 October 2018
Gillian Larkins	Resigned as Alternate Director for Glenn Foster on 12 October 2018
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on 6 July 2018, resigned as Alternate Director for Christopher Green on 17 October 2018
Vicki Riggio	

Units on issue

Units on issue in the Trust at the end of the period are set out below:

	As at 31 December 2018 Units ('000)
Units on issue	144,506

Directors' report (continued)

Review and results of operations

During the period, the Trust invested its funds in accordance with the Product Disclosure Statement and the provisions of the Trust's Constitution.

The performance of the Trust, as represented by the results of its operations, was as follows:

	For the period 2 August 2018 to 31 December 2018
Operating profit/(loss) (\$'000)	304
Distribution paid and payable (\$'000)	222
Distribution (cents per unit)	0.1534

On 21 December 2018, the Directors declared a distribution of 0.1534 cents per ordinary unit which amounted to \$221,674 and was paid on 10 January 2019.

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Trust that occurred during the financial period.

Matters subsequent to reporting date

Subsequent to period end, on 31 January 2019, the Directors declared a distribution of 0.2416 cents per ordinary unit which amounted to \$349,126 and was paid on 8 February 2019.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect:

- (i) the operations of the Trust in future financial period, or
- (ii) the results of those operations in future financial period, or
- (iii) the state of affairs of the Trust in future financial period.

Likely developments and expected results of operations

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust (Product Disclosure Statement dated 8 October 2018, and Supplementary Product Disclosure Statement dated 9 November 2018) and in accordance with the provisions of the Trust's Constitution.

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to the insurance cover provided to the officers of the Responsible Entity or the auditor of the Trust. So long as the officers of the Responsible Entity act in accordance with the Trust's Constitution and the Law, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust.

The auditor of the Trust is not indemnified out of the assets of the Trust.

Fees paid to and interests held in the Trust by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of the Trust property during the period are disclosed in Note 8 of the condensed interim financial statements.

No fees were paid out of the Trust property to the Directors of the Responsible Entity during the period.

The number of interests in the Trust held by the Responsible Entity or its associates as at the end of the financial period are disclosed in Note 8 of the condensed interim financial statements.

Directors' report (continued)

Units in the Trust

The movement in units on issue in the Trust during the period is disclosed in Note 5 of the condensed interim financial statements.

The value of the Trust's assets and liabilities is disclosed in the condensed interim statement of financial position and derived using the basis set out in Note 2 of the condensed interim financial statements.

Environmental regulation

The operations of the Trust are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

The Trust is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

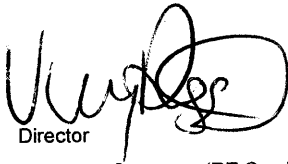
Comparatives

This is the first period of operations of the Trust and hence there are no prior comparatives.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.



Director

The Trust Company (RE Services) Limited

Sydney

20 February 2019



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of the Responsible Entity of Qualitas Real Estate Income Fund

I declare that, to the best of my knowledge and belief, in relation to the review of Qualitas Real Estate Income Fund for the period 2 August 2018 to 31 December 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Rachel Milum

Partner

Melbourne

20 February 2019

Condensed interim statement of comprehensive income

	Notes	For the period 2 August 2018 to 31 December 2018 \$'000
Investment income		
Interest income		44
Distribution income		623
Rebate income		10
Net gains/(losses) on financial instruments held at fair value through profit or loss		<u>50</u>
Total investment income		<u>727</u>
Expenses		
Responsible entity fees	8	13
Management fees		341
Administrative expenses		<u>69</u>
Total expenses		<u>423</u>
Profit/(loss)		<u>304</u>
Other comprehensive income		-
Total comprehensive income/(loss) for the period		<u>304</u>
Earnings per unit for profit attributable to unitholders of the Trust		
Basic and diluted per unit (cents)	7	0.2105

The above condensed interim statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed interim statement of financial position

	Notes	As at 31 December 2018 \$'000
Assets		
Cash and cash equivalents		2,324
Receivables		640
Prepayments		27
Financial assets - loans	4	8,044
Financial assets – measured at fair value through profit and loss	4	<u>220,855</u>
Total assets		<u>231,890</u>
Liabilities		
Distributions payable	6	222
Payables		<u>376</u>
Total liabilities		<u>598</u>
Net assets attributable to unitholders - equity	5	<u>231,292</u>

The above condensed interim statement of financial position should be read in conjunction with the accompanying notes.

Condensed interim statement of changes in equity

	Notes	For the period 2 August 2018 to 31 December 2018 \$'000
Total Equity at the beginning of the period		-
Comprehensive income for the period		
Profit/(loss)		<u>304</u>
Total comprehensive income for the period		<u>304</u>
Transactions with unitholders		
Capital raising – Initial Public Offering (IPO)	5	231,210
Distributions to unitholders	5	<u>(222)</u>
Total transactions with unitholders		<u>230,988</u>
Total net assets attributable to unitholders - equity at the end of the period		<u>231,292</u>

The above condensed interim statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed interim statement of cash flows

	For the period 2 August 2018 to 31 December 2018 \$'000
Cash flows from operating activities	
Interest received from bank deposits	2
Purchase of financial assets	(220,805)
Administrative expenses paid	(77)
Net cash inflow/(outflow) from operating activities	<u>(220,880)</u>
Cash flows from investing activities	
Loan funds advanced	(8,092)
Interest received from Manager loan	38
Loan funds repaid	48
Net cash inflow/(outflow) from investing activities	<u>(8,006)</u>
Cash flows from financing activities	
Proceeds from application by unitholders	<u>231,210</u>
Net cash inflow/(outflow) from financing activities	<u>231,210</u>
Net increase in cash and cash equivalents	2,324
Cash and cash equivalents at the beginning of the period	<u>-</u>
Cash and cash equivalents at the end of the period	<u>2,324</u>

The above condensed interim statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the condensed interim financial statements

1 General information

The condensed interim financial statements cover the Qualitas Real Estate Income Fund (the "Trust") as an individual entity. The Trust was constituted on 2 August 2018, registered with the Australian Securities and Investments Commission on 16 August 2018, commenced operations on 22 November 2018 and its units commenced trading on the Australian Securities Exchange (ASX: QRI) on 27 November 2018. The Trust is domiciled in Australia.

The Responsible Entity of the Trust is The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235 150), a wholly owned subsidiary of Perpetual Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 18 Angel Place, 123 Pitt Street, Sydney NSW 2000.

The Investment Manager of the Trust is QRI Manager Pty Ltd ("the Manager") (ACN 625 857 070). The Investment Manager is an Authorised Representative of Qualitas Securities Pty Ltd (AFSL 342242).

The Custodian of the Trust is Perpetual Corporate Trust Limited (ABN 99 000 341 533), a wholly owned subsidiary of Perpetual Limited.

The Trust's investment strategy is for the Manager to invest the Trust's capital in a portfolio of investments that provide Unitholders with exposure to real estate loans secured by first and second mortgages, predominantly located in Australia; from time to time the Trust may also invest in New Zealand. Amounts raised by the Trust are invested in the Qualitas Wholesale Real Estate Income Fund. At 31 December 2018, the Qualitas Wholesale Real Estate Income Fund invests directly in unlisted wholesale funds and directly in loan assets which includes the Qualitas Senior Debt Fund and a direct first mortgage loan position.

The condensed interim financial statements were authorised for issue by the Directors on 20 February 2019. The Directors of the Responsible Entity have the power to amend and reissue the condensed interim financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these condensed interim financial statements are set out below. These policies have been consistently applied during the reporting period presented, unless otherwise stated.

(a) Basis of preparation

The condensed interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting*, IAS 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

For the purposes of preparing the condensed interim financial statements, the Trust is a for-profit entity. The Trust is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with the legislative instrument, amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

The condensed interim financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The condensed interim financial statements are presented in Australian dollars, which is the Trust's functional currency.

The condensed interim statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount to be recovered or settled in relation to these balances remain subject to the performance of the Trust and its operations in accordance with the Constitution. Investors in the Trust have no rights to redeem and can only sell units on the ASX. The Trust is operated by the Manager to ensure the investment in the Qualitas Wholesale Real Estate Income Fund is held at fair value.

The Trust has been deemed to meet the definition of an investment entity, as the following conditions exist:

- The Trust has obtained funds for providing investors with investment management services;
- The Trust's business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income;
- The performance of investments made through the Trust are measured and evaluated on a fair value basis.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The Qualitas Real Estate Income Fund and the Qualitas Wholesale Real Estate Income Fund were structured in a way to comply with legal, regulatory, tax or similar requirements.

When considered together they display the characteristics of an investment entity:

- (a) the Trust indirectly holds more than one investment because the wholesale funds holds a portfolio of investments,
- (b) although the Qualitas Wholesale Real Estate Income Fund is wholly capitalised by the Trust, the Trust is funded by more than one investor who are related to the Trust; and
- (c) ownership in the Trust and the wholesale funds are represented by the Trust interests to which a proportion of the net assets of the investment entity are attributed.

(b) Financial instruments

(i) Classification

The Trust classifies its financial assets in the following measurement categories:

- (a) those to be measured subsequently at fair value (through profit or loss) (FVPL), and
- (b) those to be measured at amortised cost.

This classification depends on the Trust's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

The Trust reclassifies debt investments when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Trust measures a financial asset at its fair value. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Debt instruments include the loan to the Manager which meets the solely payments of principal and interest (SPPI) test and is therefore measured at amortised cost.

Subsequent measurement of debt instruments depends on the Trust's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in net gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Equity instruments

The Trust subsequently measures all equity investments at fair value. Equity instruments include the investment in the Qualitas Wholesale Real Estate Income Fund. Distributions from such investments continue to be recognised in profit or loss as other income when the Trust's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in net gains/(losses) in the statement of profit or loss as applicable.

(iii) Impairment

The Trust assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Trust applies the simplified approach permitted by AASB 9, which requires expected lifetime losses. For the loan to the Investment Manager, the Trust measures the 12-month expected credit losses where the credit risk on the loan has not increased significantly since initial recognition. If the credit risk of the loan increases significantly since initial recognition, the Trust measures the expected lifetime losses. As at 31 December 2018, the Trusts assessment of the 12-month expected credit loss on the loan to the Investment Manager is nil.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iv) *Offsetting*

Financial assets and financial liabilities are offset and the net amount is presented in the condensed interim statement of financial position when and only when the Trust currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net realise the asset and settle the liability simultaneously.

(c) Net assets attributable to unitholders - equity

Units in the Trust are listed on the ASX and traded by unitholders. The units can be traded on the ASX at any time for cash based on the listed price. While the Trust is a listed investment and liquidity is generally expected to exist in the secondary market (ASX), there are no guarantees that an active trading market with sufficient liquidity will be available. In addition to being traded, requests for redemption may be made to the Responsible Entity (see note 2 (k)). Net assets attributable to unitholders are classified as equity.

(d) Cash and cash equivalents

For the purpose of presentation in the condensed interim statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown as a liability on the condensed interim statement of financial position.

(e) Investment income

(i) *Interest income*

The Trust generates interest income from its investments in financial assets, loans, and cash investments. Interest income is recognised daily as it accrues, taking into account the actual interest rate on the financial asset and is recognised in profit or loss.

(ii) *Distribution income*

The Trust receives distribution income from its investments. Distribution income is recognised on an entitlements basis.

(f) Expenses

All expenses, including Responsible Entity and administrative expenses, are recognised in the condensed interim statement of comprehensive income on an accruals basis.

Interest expense is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

(i) *Management fees*

The Responsible Entity has appointed the Manager to invest and manage all of the assets of the Trust from time to time and to provide other services on the terms contained in the Investment Management Agreement. The Manager will charge a Management fee of 1.5375% p.a. (inclusive of RITC) of the Trust's NAV.

(ii) *Performance fees*

The Manager will charge a performance fee of 20.5% (inclusive of RITC) of outperformance from 1 July 2019 provided the cumulative actual return has exceeded 8% p.a. of the average adjusted NAV for the performance calculation period. The performance fee will be calculated and accrued monthly from 1 July 2019 and paid annually in arrears.

2 Summary of significant accounting policies (continued)

(g) Income tax

The Trust has elected to become an Attribution Managed Investment Trust.

Under current legislation, the Trust is not subject to income tax provided the taxable income of the Trust is fully attributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Trust).

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

(h) Distributions

In accordance with the Trust's Constitution, the Trust attributes its distributable (taxable) income, and any other amounts determined by the Responsible Entity, to unitholders. The distributions are recognised in the condensed interim statement of changes in equity as equity.

(i) Loans and receivables

Loans and receivables are measured initially at fair value plus transaction costs and subsequently at amortised cost using the effective interest rate method, less impairment losses if any. Such assets are assessed for expected credit losses as set out in Note 2(b)(iii).

Receivables include interest which is accrued at the reporting date from the time of last payment and are generally received within 30 days of being recorded as receivables. Receivables are measured at their nominal amounts.

Receivables also include such items as Reduced Input Tax Credits (RITC).

(j) Payables

Payables include liabilities and accrued expenses owing by the Trust which are unpaid as at the end of the reporting period.

The distribution amount payable to unitholders as at the reporting date is recognised separately in the condensed interim statement of financial position as unitholders are presently entitled to the distributable income as at 31 December 2018 under the Trust's Constitution.

(k) Applications and redemptions

Applications received for units in the Trust are recorded net of any transaction costs payable prior to the issuance of units in the Trust.

In accordance with the Constitution, the Responsible Entity may determine to reject a Redemption Request in its absolute discretion. The Responsible Entity is not obliged under any circumstances to pay any part of the Redemption Price out of its own funds.

The redemption transaction costs are an estimate by the Responsible Entity of the total transaction cost the Trust would incur selling the Trust Property/Units. If appropriate, the Responsible Entity may apply estimate redemption transaction costs in regard to the actual cost incurred from the redemption. If the Responsible Entity makes no estimate, the Redemption Transaction costs are zero.

(l) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Trust by third parties such as audit fees, custodial services and investment management fees have been passed onto the Trust. The Trust qualifies for RITC hence investment management fees, custodial fees and other expenses have been recognised in the condensed interim statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). The net amount of GST recoverable from the ATO is included in receivables in the condensed interim statement of financial position. Cash flows relating to GST are included in the condensed interim statement of cash flows on a gross basis.

(m) Use of estimates and judgement

The Trust makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to the accounting estimates are recognised prospectively.

The Trust's investments are fair valued using valuation techniques which are validated and reviewed by the Responsible Entity in conjunction with the Investment Manager.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. For the Trust's investment which is measured at fair value, the primary valuation input is the net asset value of the fund, provided by the Investment manager of that fund.

2 Summary of significant accounting policies (continued)

(m) Use of estimates and judgement (continued)

For certain other financial instruments, including receivables and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

(n) New standards and interpretations not yet adopted

There are no standards that are not yet effective that are expected to have a material impact on the Trust in the current or future reporting periods and on foreseeable future transactions.

(o) Comparatives

This is the first period of operations of the Trust and hence there are no prior period comparatives.

3 Fair value measurements

The Trust discloses fair value measurements by level using the following fair value hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

(i) Fair value in an active market (Level 1)

The fair value of financial assets and liabilities traded in active markets is based on last traded prices at the end of the reporting period without any deduction for estimated future selling costs. For the majority of financial assets and liabilities, information provided by the quoted market independent pricing services is relied upon for valuation.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. An active market is a market in which transactions for the financial asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(ii) Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on Investment Manager 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. For other pricing models, inputs are based on market data at the end of the reporting period.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Trust holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

Recognised fair value measurements

The tables below set out the Trust's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 December 2018.

At 31 December 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financials assets				
<i>Designated at fair value through profit or loss</i>				
Qualitas Wholesale Real Estate Income Fund	-	220,855	-	220,855
Total financial assets	-	220,855	-	220,855

4 Financial assets

	At 31 December 2018 \$'000
Qualitas Wholesale Real Estate Income Fund	220,855
Loan asset	<u>8,044</u>
	<u>228,899</u>

- Loan asset

The Trust has agreed to provide a loan to the Investment Manager, to assist with the working capital requirements of the Investment Manager. For the avoidance of doubt, this includes, without limitation, for the purposes of paying costs and expenses incurred in relation to, or relating to, the IPO of the Trust and may be paid or lent to related entities of the Investment Manager. The Investment Manager will repay the loan (including any payment of interest on the loan which will be interest income of the Trust) over a period of the earlier of 10 years from the funding date (27 November 2018) and the date that is 60 days after the Investment Management Agreement is terminated (for any reason). The loan is interest bearing at a rate of 5% p.a.

5 Net assets attributable to unitholders - equity

As stipulated within the Trust's Constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Trust.

Movements in number of units and net assets attributable to unitholders during the period were as follows:

	For the period 2 August 2018 to 31 December 2018	
	Units ('000)	\$'000
Net assets attributable to unitholders		
Opening balance	-	-
Capital raising – Initial Public Offering	144,506	231,210
Distributions to unitholders	-	(222)
Profit/(Loss)	-	304
Closing balance	<u>144,506</u>	<u>231,292</u>

6 Distributions to unitholders

The distributions were paid/payable as follows:

	For the period 2 August 2018 to 31 December 2018	
	\$'000	Cents per unit
Distributions		
31 December 2018 (payable)	<u>222</u>	<u>0.15</u>
	<u>222</u>	<u>0.15</u>

7 Earnings per unit

Earnings per unit amounts are calculated by dividing net profit/(loss) attributable to unitholders before distributions by the weighted average number of units outstanding during the period.

	For the period 2 August 2018 to 31 December 2018
Operating profit/(loss) attributable to unitholders (\$'000)	304
Weighted average number of units on issue ('000)	144,506
Basic and diluted earnings per unit (cents)	0.2105

8 Related party transactions

(a) Responsible Entity

The Responsible Entity of the Qualitas Real Estate Income Fund is The Trust Company (RE Services) Limited. The Responsible Entity is a wholly owned subsidiary of the Perpetual Limited Group (ASX: PPT).

(b) Key management personnel of the Responsible Entity

Directors

The following persons held office as directors of The Trust Company (RE Services) Limited during the period and up to the date of this report:

Glenn Foster	
Christopher Green	Resigned as Director on 17 October 2018
Michael Vainauskas	
Andrew McIver	Alternate Director for Michael Vainauskas
Richard McCarthy	Appointed Director on 17 October 2018
Gillian Larkins	Resigned as Alternate Director for Glenn Foster on 12 October 2018
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on 6 July 2018, resigned as Alternate Director for Christopher Green on 17 October 2018
Vicki Riggio	

(c) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

(d) Responsible Entity and other transactions

(i) Responsible Entity fee

This fee is charged by the Responsible Entity for managing the Trust and making it available to investors. The amount charged is dependent on the gross asset value of the Trust and is expected to be 0.03% to 0.05% p.a. (inclusive of RITC) of the Trust's NAV. The fee is accrued for daily and paid quarterly in arrears from the Trust's assets.

(ii) Custodian fee

This fee is charged by a related party of the Responsible Entity for performing custodial services of the Trust. It is calculated and accrued daily and paid quarterly in arrears from the Trust's assets. The fee is calculated at the rate of 0.01% p.a. (inclusive of RITC) of the Trust's NAV.

(iii) Management fee

The Responsible Entity has appointed the Manager to invest and manage all of the assets of the Trust from time to time and to provide other services on the terms contained in the Investment Management Agreement. The Manager will charge a Management fee of 1.5375% p.a. (inclusive of RITC) of the Trust's NAV.

(iv) Indirect costs

Indirect costs are any amounts that the Responsible Entity knows or where required, reasonably estimates, will reduce the Trust's returns that are paid from the Trust's assets (other than the Responsible Entity fee, recoverable expenses and transactional and operational costs).

8 Related party transactions (continued)

(d) Responsible Entity and other transactions (continued)

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the period and amounts payable at period end between the Trust and the Responsible Entity or a related party of the Responsible Entity were as follows:

	For the period 2 August 2018 to 31 December 2018 \$
Responsible entity fees for the period paid/payable by the Trust	12,777
Custodian fees for the period paid/payable by the Trust	2,273
Aggregate amount payable to the Responsible Entity or a related party of the Responsible Entity at period end	<u>15,050</u>

(e) Key management personnel remuneration of the Responsible Entity

Payments made from the Trust to the Responsible Entity do not include any amounts directly attributable to key management personnel remuneration.

(f) Key management personnel of the Responsible Entity unitholdings

From time to time Directors of the Responsible Entity, or their Directors' related entities, may invest in or withdraw from the Trust. These investments or withdrawals are on the same terms and conditions as those entered into by other Trust investors. The Responsible Entity, their related parties and other Trusts managed by the Responsible Entity, held no units in the Trust at 31 December 2018.

(g) Investments

The Trust held investments in the following scheme which is managed by the Manager:

	Fair Value of Investment \$	Interest held (%)	Distributions received/ receivable \$	Units acquired during the period	Units disposed during the period
At 31 December 2018					
Qualitas Wholesale Real Estate Income Fund	220,855,381	100	623,498	138,003,163	-

(h) Related party unitholdings

Qualitas Property Partners Pty Ltd who is a related party of the Investment Manager holds 6,250,000 units in the Trust.

(i) Other transactions within the Trust

Apart from those details disclosed in this note, no key management personnel have entered into any transactions with the Trust during the financial period and there were no material balances involving key management personnel's interests outstanding at period end.

9 Segment information

The Trust is organised into one main operating segment with only one key function, being the investment of funds predominantly in Australia.

10 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 31 December 2018.

11 Events occurring after the reporting period

Subsequent to period end, on 31 January 2019, the Directors declared a distribution of 0.2416 cents per ordinary unit which amounted to \$349,126 and was paid on 8 February 2019.

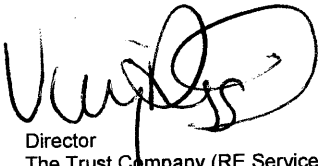
No other significant events have occurred since the reporting period which would impact on the financial position of the Trust disclosed in the condensed interim statement of financial position as at 31 December 2018 or on the results and cash flows of the Trust for the period ended on that date.

Directors' declaration

In the opinion of the Directors of The Trust Company (RE Services) Limited, the Responsible Entity of Qualitas Real Estate Income Fund:

- (a) The condensed interim financial statements and notes set out on pages 6 to 18 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the Trust's financial position at 31 December 2018 and of its performance for the period from 2 August 2018 to 31 December 2018;
 - (ii) Complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* 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.

This declaration is made in accordance with a resolution of the Directors.



Director
The Trust Company (RE Services) Limited

Sydney
20 February 2018



Independent Auditor's Review Report

To the unitholders of Qualitas Real Estate Income Fund

Conclusion

We have reviewed the accompanying **Condensed Interim Financial Statements** of Qualitas Real Estate Income Fund ("the Trust").

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Condensed Interim Financial Statements of Qualitas Real Estate Income Fund are not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Trust's financial position as at 31 December 2018 and of its performance for the interim period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Condensed Interim Financial Statements** comprises:

- Condensed interim statement of financial position as at 31 December 2018.
- Condensed interim statement of comprehensive income, Condensed interim statement of changes in equity and Condensed interim statement of cash flows for the interim period ended on that date
- Notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Interim Period** is for the period 2 August 2018 to 31 December 2018.

Responsibilities of the Directors for the Condensed Interim Financial Statements

The Directors of The Trust Company (RE Services) Limited (the Responsible Entity) are responsible for:

- the preparation of the Condensed Interim Financial Statements that give 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 Condensed Interim Financial Statements that are free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the Condensed Interim Financial Statements

Our responsibility is to express a conclusion on the Condensed Interim Financial Statements based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Condensed Interim Financial Statements are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2018 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Qualitas Real Estate Income Fund, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Rachel Milum

Partner

Melbourne

20 February 2019