

Qualitas Real Estate Income Fund
Appendix 4E
For the period 2 August 2018 to 30 June 2019

Details of Reporting Period

Current: Period 2 August 2018 to 30 June 2019
 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 audited results of the Trust for the period 2 August 2018 to 30 June 2019 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 Financial Statements for the period 2 August 2018 to 30 June 2019.

	\$'000
Revenue from ordinary activities	7,365
Profit/(loss) from the period	4,614
Total comprehensive income/(loss) for the period	4,614

Details of distributions

The distributions for the period from 2 August 2018 to 30 June 2019 is \$4,591,971 (3.1777 cents per ordinary unit).

Subsequent to period end, on 31 July 2019, the Directors declared a distribution of 0.82 cents per ordinary unit which amounted to \$1,354,382 and was paid on 16 August 2019.

Details of distribution reinvestment plan

The Responsible Entity has established a Distribution Reinvestment Plan ("DRP") on 25 July 2019 in relation to all future distributions.

The Responsible Entity expects to make distributions on a monthly basis. For such distributions, it is expected the record date will be the last ASX trading day of each month and the last day for electing into the DRP will be 5.00pm (Melbourne, time) at the relevant DRP Election Date.

Units issued under the DRP will be issued at Net Asset Value ("NAV") for the last day of the month.

Net Tangible Assets

	As at 30 June 2019
Total Net Tangible Assets attributable to unitholders (\$'000)	265,913
Units on issue ('000)	166,182
Net Tangible Assets attributable to unit holders per unit (\$)	1.6001

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	6,734

Details of associates and joint venture entities

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

Independent audit report

Additional disclosure requirements can be found in the notes to the Qualitas Real Estate Income Fund financial statements for the period 2 August 2018 to 30 June 2019.

This report is based on the financial report which has been audited by the Trust's auditor. All the documents comprise the information required by Listing Rule 4.3A.

Qualitas Real Estate Income Fund

ARSN 627 917 971

Annual report

For the period 2 August 2018 to 30 June 2019

Qualitas Real Estate Income Fund

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Annual report

For the period 2 August 2018 to 30 June 2019

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The 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

Investment Managers' Report

The financial year ending 30 June 2019 represents the first year-end financial report since the initial listing of the Qualitas Real Estate Income Fund (the "Trust") on the Australian Securities Exchange on 27 November 2018.

Since this date, the Investment Manager ("the Manager") has progressively invested the initial capital in accordance with the Trust's investment strategy and having regard to market conditions. On 27 June 2019, the Trust successfully completed a placement of \$34.68 million of funds to wholesale investors. The additional capital will allow the Manager to further grow and diversify the Trust's portfolio.

Market conditions during the reporting period were characterised by further growth in the commercial real estate debt market; good demand for investment and land loans; increased alternate lender competition; lower demand for mezzanine finance and subdued residential property market conditions. Transactions have generally taken longer than usual to execute as borrowers take time to firm up their lending requirements, coupled with the Manager's disciplined investment approach.

Other market events centred around the conclusion of the banking Royal Commission, the Federal Election and certainty around policy, and the lowering of the RBA cash rate. The Manager expects that these events will generally improve both demand for, and supply of credit over the medium term. The Manager has also observed a gradual reduction of loan pricing due to increased credit availability and a lower interest rate environment, resulting in lower returns for the same loan risk profile.

The Manager is pleased with the credit quality and composition of the portfolio and has delivered a risk/return profile that is appropriate for the current market cycle and conditions. The portfolio provides exposure to 27 loans, diversified by borrower, loan type, property sector and geography.

As of 30 June 2019, the Trust's capital was 75% invested and the June month net return was 5.89% p.a. Returns and distributions are expected to increase once the Trust capital is fully invested. In respect of the Trust's investment objective, the Manager has delivered on monthly cash income, portfolio diversification and a strong focus on capital preservation at a time of heightened market risks.

Directors' report

The Directors of The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235150) (the "Responsible Entity"), the Responsible Entity of the Qualitas Real Estate Income Fund (the "Trust") present their report together with the financial statements of the Trust for the period 2 August 2018 to 30 June 2019 and the auditor's 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. As at 30 June 2019, the Qualitas Wholesale Real Estate Income Fund invests directly in unlisted wholesale funds, which currently comprise of Qualitas Senior Debt Fund, Qualitas Land Debt Fund and the Qualitas Mezzanine Debt Fund. The Qualitas Wholesale Real Estate Income Fund also has directly invested into loan assets and invests in the Arch Finance Warehouse Trust note program.

There were no significant changes in the nature of the Trust's activities during the year.

The Trust did not have any employees during the period.

Directors

The Directors of The Trust Company (RE Services) Limited during the period and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

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 30 June 2019 Units ('000)
Units on issue	166,182

Directors' report (continued)

Review and results of operations

During the period, the Trust invested in accordance with the investment objective and guidelines as set out in the governing documents of the Trust and in accordance with the provision of the Trust's Constitution.

Results

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

	For the period 2 August 2018 to 30 June 2019
Operating profit/(loss) (\$'000)	4,614
Distribution paid and payable (\$'000)	4,592
Distribution (cents per unit)	3.1777

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 the end of the financial period

On 31 July 2019, the Directors declared a distribution of 0.82 cents per ordinary unit which amounted to \$1,354,382 and was paid on 16 August 2019.

Other than the matter noted above, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

The Trust will continue to be managed in accordance with the investment objective 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.

Directors' report (continued)

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 10 of the 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 10 of the financial statements.

Units in the Trust

The movement in units on issue in the Trust during the period is disclosed in Note 7 of the financial statements.

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

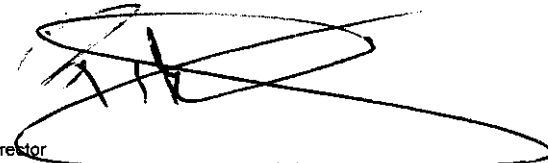
Comparatives

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

Lead auditor's independence declaration

A copy of the Lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

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
22 August 2019

Corporate governance statement

Background

The Trust Company (RE Services) Limited ("Responsible Entity") is the responsible entity for the Qualitas Real Estate Income Fund ("Trust"), a registered managed investment scheme that is listed on the Australian Securities Exchange ("ASX").

The Responsible Entity is a wholly-owned subsidiary of Perpetual Limited (ASX: PPT) ("Perpetual").

The Responsible Entity is reliant on Perpetual for access to adequate resources including directors, management, staff, functional support (such as company secretarial, responsible managers, legal, compliance and risk, finance) and financial resources. During the year and up to the date of this report, Perpetual has at all times made such resources available to the Responsible Entity.

In operating the Trust the Responsible Entity's overarching principle is to always act in good faith and in the best interests of the Trust's unitholders, in accordance with our fiduciary duty. The Responsible Entity's duties and obligations in relation to the Trust principally arise from: the Constitution of the Trust; the Compliance Plan for the Trust; the Corporations Act 2001 ("Act"); the ASX Listing Rules; the Responsible Entity's Australian Financial Services License; relevant regulatory guidance; relevant contractual arrangements; and other applicable laws and regulations.

Corporate Governance

At Perpetual, good corporate governance includes a genuine commitment to the ASX Corporate Governance Council Principles and Recommendations (ASX Principles).

The Directors of the Responsible Entity are committed to implementing high standards of corporate governance in operating the Trust and, to the extent applicable to registered schemes, are guided by the values and principles set out in Perpetual's Corporate Responsibility Statement and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Principles"). The Responsible Entity is pleased to advise that, to the extent the Principles are applicable to registered schemes; its practices are largely consistent with the Principles.

As a leading independent responsible entity, the Responsible Entity operates a number of registered managed investment schemes ("Schemes"). The Schemes include the Trust as well as other schemes that are listed on the ASX. The Responsible Entity's approach in relation to corporate governance in operating the Trust is consistent with its approach in relation to the Schemes generally.

The Responsible Entity addresses each of the Principles that are applicable to externally managed listed entities in relation to the Schemes, including the Trust, for the year ended 30 June 2019. This corporate governance statement is current as at the date of the Trust's financial report and has been approved by the Responsible Entity board.

Principle 1 – Lay solid foundations for management and oversight

The role of the Responsible Entity's Board ("RE Board") is generally to set objectives and goals for the operation of the Responsible Entity and the Schemes, to oversee the Responsible Entity's management, to regularly review performance and to monitor the Responsible Entity's affairs acting in the best interests of the unitholders of each of the Schemes. The RE Board is accountable to the unitholders of each of the Schemes, and is responsible for approving the Responsible Entity's overall objectives and overseeing their implementation in discharging their duties and obligations and operating the Schemes.

The role of the Responsible Entity's management is to manage the business of the Responsible Entity in operating the Schemes. The RE Board delegates to management all matters not reserved to the RE Board, including the day-to-day management of the Responsible Entity and the operation of the Schemes. Directors, management and staff are guided by Perpetual's Code of Conduct which is designed to assist them in making ethical business decisions.

Principle 2 – Structure the board to add value

At present the RE Board consists of 4 executive directors and 2 alternate directors. The names of the current Directors and year of appointment is provided below:

Glenn Foster	2015
Michael Vainauskas	2015
Andrew McIver (Alternate)	2017
Vicki Riggio	2018
Richard McCarthy	2018
Phillip Blackmore (Alternate)	2018

As the RE Board consists of only executive directors, a Compliance Committee is appointed in relation to each of the Schemes (refer to Principle 7). The Committee has a majority of independent members and is chaired by an independent member who is not the chair of the RE Board.

Corporate governance statement (continued)

Principle 3 – Promote ethical and responsible decision-making

The Responsible Entity has a Code of Conduct and espoused Core Values and a further values framework known as “The Way We Work” within which it carries on its business and deals with its stakeholders. These apply to all directors and employees of Perpetual, and the Responsible Entity. The Code of Conduct and Core Values, and supporting Risk framework supports all aspects of the way the Responsible Entity conducts its business and is embedded into Perpetual’s performance management process. The Code of Conduct is available on Perpetual’s website (www.perpetual.com.au).

Principle 4 – Safeguard integrity in financial reporting

The RE Board does not have an audit committee. Under delegation by the RE Board, the Responsible Entity Services management and staff operate within a Compliance and Risk Management framework with specific policies and procedures designed to ensure that the Trust’s financial reports are true and fair and meet high standards of disclosure and audit integrity; and other reports released on ASX are materially accurate and balanced.

This includes policies relating to the preparation, review and sign off process required for the Trust’s financial reports including the operation of an Internal Review Accounts Committee and RE Board approval process, the engagement of the Trust independent auditors and the review and release of certain reports on the ASX.

The declarations under section 295A of the Corporations Act 2001 (the Act) provide formal statements to the RE Board in relation to the Trust (refer to Principle 7). The declarations confirm the matters required by the Act in connection with financial reporting. The Responsible Entity receives confirmations from the service providers involved in financial reporting and management of the Trust, including the Investment Manager.

These confirmations together with the overarching Responsible Entity’s Risk and Compliance Framework which includes the service provider oversight framework assist its staff in making the declarations provided under section 295A of the Act.

The Responsible Entity manages the engagement and monitoring of independent ‘external’ auditors for the Trust. The RE Board receives periodic reports from the external auditors in relation to financial reporting and the compliance plan for the Trust.

Principle 5 – Make timely and balanced disclosure

The Responsible Entity has a continuous disclosure policy to ensure compliance with the continuous disclosure requirements of the Act and the ASX Listing Rules in relation to the Trust. The policy requires timely disclosure of information to be reported to the Responsible Entity’s management and/or Directors to ensure that, information that a reasonable person would expect to have a material effect on the unit price or would influence an investment decision in relation to any of the Trust, is disclosed to the market. The Responsible Entity’s employees assist management and/or the Directors in making disclosures to the ASX after appropriate consultation. The Responsible Entity requires service providers, including the Investment Manager, to comply with its policy in relation to continuous disclosure for the Trust.

Principle 6 – Respect the rights of unitholders

The Responsible Entity is committed to ensuring timely and accurate information about the Trust is available to security holders via the Trust’s website. All ASX announcements are promptly posted on the Trust’s website: qualitas.com.au. The annual and half year results financial statements and other communication materials are also published on the website.

In addition to the continuous disclosure obligations, the Responsible Entity receives and responds to formal and informal communications from unitholders and convenes formal and informal meetings of unitholders as requested or required. The Responsible Entity has an active program for effective communication with the unitholders and other stakeholders in relation to Trust.

The Responsible Entity handles any complaints received from unitholders in accordance with Perpetual’s Complaints Handling Policy. The Responsible Entity is a member of the Australian Financial Complaints Authority (AFCA), an independent dispute resolution body, which is available to unitholders in the event that any complaints cannot be satisfactorily resolved by the Responsible Entity.

Principle 7 – Recognise and manage risk

The RE values the importance of robust risk management systems and maintains a current risk register as part of its formal risk management program. The RE has established a Compliance Committee, comprised of Michelene Collopy (Chairperson), Virginia Malley and Michael Vainauskas.

The Compliance Committee meets at least quarterly. In the 2018/19 financial reporting period all five meetings held were attended by all Compliance Committee members. The Compliance Committee Charter sets out its role and responsibilities, which is available on request. The Compliance Committee is responsible for compliance matters regarding the RE’s Compliance Plan and Constitution and the Corporations Act.

Perpetual’s Audit, Risk and Compliance Committee is responsible for oversight of the Perpetuals risk management and internal control systems. The Audit, Risk and Compliance Committee is comprised of Ian Hammond, Philip Bullock, Nancy Fox, P Craig Ueland. In the 2018/19 financial reporting period there were six meetings held, each of which were attended by all members. The Audit, Risk and Compliance Committee terms of reference sets out its role and responsibilities. This can be obtained on the Perpetual website. The majority of the Compliance Committee and the Audit, Risk and Compliance Committee members are independent and are each chaired by independent members.

Corporate governance statement (continued)

Principle 7 – Recognise and manage risk (continued)

The RE manages the engagement and monitoring of independent external auditors for the Trust. The RE board receives periodic reports in relation to financial reporting and the compliance plan audit outcomes for the Trust.

Perpetual has a risk management framework in place which is reviewed annually. The declarations under section 295A of the Act provide assurance regarding sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The RE also receives appropriate declarations from the service providers involved in financial reporting.

Perpetual has an Internal Audit function which reports functionally to Perpetual Limited Audit Risk & Compliance Committee (ARCC), and for administrative purposes, through the General Manager – Risk & Internal Audit, and is independent from the external auditor. Perpetual Internal Audit establishes a risk based audit plan each year that is approved formally by the ARCC, and executes internal audits of Perpetual Business Units in accordance with the plan. The plan is re-assessed quarterly and reviewed to ensure that it is dynamic and continues to address the key risks faced by the Group. Progress against the plan, changes to the plan, and the results of audit activity are reported quarterly to the ARCC.

The Trust currently has no material exposure to economic, environmental and sustainability risk.

Principle 8 – Remunerate fairly and responsibly

The fees and expenses which the RE is permitted to pay out of the assets of the Trust are set out in the Trust constitution. The Trust financial statements provide details of all fees and expenses paid by the Trust during the financial period.



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

To the Directors of The Trust Company (RE Services) Limited (the Responsible Entity) of Qualitas Real Estate Income Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of Qualitas Real Estate Income Fund for the period from 2 August 2018 to 30 June 2019 there have been:

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

KPMG

KPMG

Rachel Milum

Rachel Milum

Partner

Melbourne

22 August 2019

Statement of comprehensive income

	Notes	For the period 2 August 2018 to 30 June 2019 \$'000
Investment income		
Interest income		264
Management fee rebate		333
Net gains/(losses) on financial instruments held at fair value through profit or loss		34
Distribution income	10	<u>6,734</u>
Total investment income		<u>7,365</u>
Expenses		
Responsible entity fees	10	79
Management fees		2,111
Transaction costs		122
Administrative expenses		<u>439</u>
Total expenses		<u>2,751</u>
Profit/(loss)		<u>4,614</u>
Other comprehensive income		-
Total comprehensive income/(loss) for the period		<u>4,614</u>
Earnings per unit attributable to unitholders of the Trust		
Basic and diluted gain/(loss) per unit (cents)	9	3.1843

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

Statement of financial position

	Notes	As at 30 June 2019 \$'000
Assets		
Cash and cash equivalents		3,152
Receivables		1,565
Financial assets – measured at fair value through profit and loss	5	254,169
Financial assets – loans measured at amortised cost	5	<u>8,778</u>
Total assets		<u>267,664</u>
Liabilities		
Distributions payable	8	1,213
Payables		<u>538</u>
Total liabilities		<u>1,751</u>
Net assets attributable to unitholders - equity	7	<u>265,913</u>

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

Statement of changes in equity	Notes	For the period 2 August 2018 to 30 June 2019 \$'000
Total equity at the beginning of the period		-
Comprehensive income for the period		
Profit/(loss)		<u>4,614</u>
Total comprehensive income for the period		<u>4,614</u>
Transactions with unitholders		
Capital raising – Initial Public Offering (IPO)	7	231,210
Capital raising – Private Placement	7	34,681
Distributions to unitholders	7, 8	<u>(4,592)</u>
Total transactions with unitholders		<u>261,299</u>
Total net assets attributable to unitholders - equity at the end of the period		<u>265,913</u>

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

Statement of cash flows

	Notes	For the period 2 August 2018 to 30 June 2019 \$'000
Cash flows from operating activities		
Interest received from bank and term deposits		22
Purchase of financial assets		(254,135)
Distribution income received		5,301
Management fee rebate received		232
Other operating expenses paid		<u>(2,237)</u>
Net cash inflow/(outflow) from operating activities	11	<u>(250,817)</u>
Cash flows from investing activities		
Loan funds advanced to Manager		(9,095)
Loan funds repaid from Manager		317
Interest received from Manager loan		<u>235</u>
Net cash inflow/(outflow) from investing activities		<u>(8,543)</u>
Cash flows from financing activities		
Proceeds from application by unitholders		265,891
Distributions paid to unitholders		<u>(3,379)</u>
Net cash inflow/(outflow) from financing activities		<u>262,512</u>
Net increase in cash and cash equivalents		3,152
Cash and cash equivalents at the beginning of the period		<u>-</u>
Cash and cash equivalents at the end of the period	11	<u>3,152</u>

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

Notes to the financial statements

1 General information

The 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) (the "Responsible Entity"), a wholly owned subsidiary of Perpetual Limited. 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 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 and from time to time in New Zealand. Amounts raised by the Trust are invested in the Qualitas Wholesale Real Estate Income Fund. As at 30 June 2019, the Qualitas Wholesale Real Estate Income Fund invests directly in unlisted wholesale funds, which currently comprise of Qualitas Senior Debt Fund, Qualitas Land Debt Fund and the Qualitas Mezzanine Debt Fund. The Qualitas Wholesale Real Estate Income Fund also has directly invested into loan assets and invests in the Arch Finance Warehouse Trust note program.

The financial statements were authorised for issue by the Directors of the Responsible Entity on 22 August 2019. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these 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 general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia.

For the purposes of preparing the 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 financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

The financial statements are prepared on the historical cost basis except for financial assets measured at fair value through profit or loss basis of fair value measurement of assets and liabilities except where otherwise stated.

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

The 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 twelve months in relation to these balances remain subject to the performance of the Trust and its operations in accordance with the Constitution.

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; and
- The performance of substantially all 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 Trust 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 hold 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 Qualitas Wholesale Real Estate Income Fund are represented by the Trust's interests to which a proportion of the net assets of the investment entity are attributed.

Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Trust also comply with International Financial Reporting Standards and Interpretations as issued by the International Accounting Standards Board (IASB).

(b) Financial instruments

(i) Classification

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

- (a) those to be measured 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 financial assets measured at fair value, gains and losses will be recorded in the statement of comprehensive income through 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

Subsequent measurement of debt instruments, if they meet the solely payments of principal and interest (SPPI) test, 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 interest 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). Impairment losses are presented as separate line item in the statement of profit or loss.

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

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 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 comprehensive income 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 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 30 June 2019, the Trust's assessment of the 12-month expected credit loss on the loan to the Manager is nil.

2. Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iv) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when and only 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 basis or to 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)). The units issued by the Trust meets the requirement of AASB 132 for classification as equity.

(d) Cash and cash equivalents

For the purpose of presentation in the 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 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 statement of comprehensive income on an accruals basis.

(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 charges a Management fee of 1.5375% p.a. (inclusive of Reduced Input Tax Credits "RITC") of the Trust's Net Asset Value ("NAV").

(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).

2. Summary of significant accounting policies (continued)

(h) Distributions

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

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.

(i) Receivables

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 statement of financial position as unitholders are presently entitled to the distributable income as at 30 June 2019 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 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 statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis. Accounts payable are inclusive of GST.

(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 which are fair valued using valuation techniques are validated and reviewed by the Responsible Entity in conjunction with the 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 Manager of that fund.

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 and amended standards adopted by the Trust

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.

2 Summary of significant accounting policies (continued)

(o) Comparatives

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

(p) Rounding of amounts

The Trust is an entity of a 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 financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with the ASIC Corporations Instrument, unless otherwise indicated

3 Financial risk management

(a) Overview

The Trust's activities expose it to a variety of financial risks. The management of these risks is undertaken by the Trust's Manager who has been appointed by the Responsible Entity under an Investment Management Agreement to manage the Trust's assets in accordance with the investment objective and strategy.

The Responsible Entity has in place a framework which includes:

- The Manager providing the Responsible Entity with regular reports on their compliance with the Investment Management Agreement;
- Completion of regular reviews on the Manager which may include a review of the Manager's risk management framework to manage the financial risks of the Trust; and
- Regular reporting on the liquidity of the Trust in accordance with the Trust's Liquidity Risk Management Statement.

The Trust's Manager has in place a framework to identify and manage the financial risks in accordance with the investment objective and strategy. This includes an investment due diligence process and on-going monitoring of the investments in the Trust. Specific controls the Manager applies to manage the financial risks are detailed under each risk specified below.

(b) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts when they fall due.

The Trust's exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A- (as determined by public ratings agencies such as Standard & Poor's, Moody's or Fitch) or higher. The Trust is also exposed to credit risk on loans secured by first or second real property mortgages and debt securities through its investments in Qualitas Wholesale Real Estate Income Fund.

As part of its extensive investment processes, the Manager identifies and manages credit risk of loans by undertaking a detailed due diligence process prior to entering into transactions with counterparties and frequent monitoring of the credit exposures.

The Manager applies a highly selective investment filtering and extensive due diligence process for each loan which encompasses the:

- credit worthiness, financial standing and track record of the borrower and other transaction parties;
- quality and performance of the underlying real property security;
- macroeconomic and microeconomic market conditions;
- legal due diligence of the transaction structure;
- engagement of property experts on valuation, technical, planning and environmental risks;
- sensitivity analysis on loan performance for a range of adverse events;

Ongoing loan monitoring includes regular inspections of the real property security, conducting borrower meetings, financial accounts, property reporting, covenant compliance and staying abreast of market conditions. The Manager's Portfolio Asset Management Committee will undertake a formal review process of each loan at least every 8 weeks, determining which loans are performing, subject to heightened monitoring, underperformance, or impairment. The Manager identifies and monitors key risks and may recommend appropriate actions which include re-pricing or restructuring of the loan to manage risk and preserve investor returns.

The portfolio construction and investment management processes adopted by the Manager are implemented with the expectation of seeking to reduce the Trust's exposure to both credit and market risks. The Manager adheres to the portfolio investment parameters set out in the PDS of the Trust and additional internal guidelines to ensure sufficient diversification of the loan portfolio by borrower / counterparties, loan type, security ranking, loan maturity, loan to value ratio, and property sector and geography of security.

The Trust provided a working capital loan to the Manager. The Responsible Entity has a right of recourse against the Manager for the amounts owned under the loan and is guaranteed by Qualitas Property Partners Pty Ltd.

3 Financial risk management (continued)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market variables such as interest rates, foreign exchange rates and equity prices.

(i) Price risk

Price risk is the risk that the fair value of investments will change as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or factors affecting all instruments in the market.

The Trust invests (through the Qualitas Wholesale Real Estate Income Fund which it may invest directly or indirectly) in loans secured by real property mortgages. The Manager's Portfolio Asset Management Committee will undertake a formal review process of each loan at least every 8 weeks, determining which loans are performing, subject to heightened monitoring, underperformance, or impairment. Through this review process, the Manager may recommend appropriate actions which include re-pricing or restructuring of the loan to manage risk, preserve investor returns and the fair value of loans. Any adjustment to the fair value of the investment is reflected through profit or loss.

(ii) Currency risk

Currency risk arises as the income and value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

As at 30 June 2019, the Trust did not hold as assets or liabilities denominated in currencies other than the Australian Dollar and therefore was not exposed to any foreign exchange risk.

(iii) Interest rate risk

Interest rate risk is the risk that a financial asset's value will fluctuate as a result of changes in market interest rates.

The Trust invests (through the Qualitas Wholesale Real Estate Income Fund which it may invest directly or indirectly) in both floating rate loans and fixed rate loans. Floating rate loans means that income will be impacted by the underlying base rate rises and falls and therefore the relative attractiveness to other instruments may change.

There is a strong correlation between the RBA Cash Rate and the base rates upon which floating rate loans are priced. Absolute returns on floating rate loans therefore rise and fall largely in correlation with the RBA Cash Rate.

The table below summarises the Trust's exposure to interest rates risks as at 30 June 2019, including the Trust's assets and liabilities at fair values.

	Weighted effective interest rate %	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets					
Cash and cash equivalents	1.5%	3,152	-	-	3,152
Receivables		-	-	1,565	1,565
Financial assets - loans	5%	-	8,778	-	8,778
Financial assets - FVPL		-	-	254,169	254,169
Total financial assets		3,152	8,778	255,734	267,664
Financial liabilities					
Distributions payable		-	-	1,213	1,213
Payables		-	-	538	538
Total financial liabilities		-	-	1,751	1,751
Net exposure		3,152	8,778	253,983	265,913

*Weighted effective interest rate only applies to loan assets.

3 Financial risk management (continued)

(c) Market risk (continued)

(iii) Interest rate risk (continued)

Summarised sensitivity analysis

The table below summarises the impact of an increase/decrease of interest rates on the Trust's operating profit and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 75 basis points from the period end rates with all other variables held constant. The sensitivity rate is based on management's best estimate of a reasonably possible movement in the interest rates, having regard to historical levels of change in interest rates. The impact mainly arises from changes in the floating interest rate on cash and cash equivalents.

	Interest rate risk	
	-75bps \$'000	+75bps \$'000
30 June 2019	(24)	24

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Manager monitors the Trust's cash flow requirements and undertakes cash flow forecasts including capital commitments on a daily basis. Sufficient cash balances are maintained at all times.

Cash flow reconciliations are undertaken daily to ensure all income and expenses are managed in accordance with contracted obligations.

Maturity analysis for financial liabilities

The following table shows the contractual maturities of financial liabilities as at 30 June 2019:

	Carrying amount \$'000	Contractual cash flow \$'000	3 months or less \$'000	3 to 6 months \$'000	6 to 12 months \$'000	1 to 5 years \$'000
30 June 2019						
Non-derivative financial liabilities						
Distributions payable	1,213	1,213	1,213	-	-	-
Payables	538	538	538	-	-	-
	1,751	1,751	1,751	-	-	-

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 the Manager'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. 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 table below sets out the Trust's financial assets and liabilities according to the fair value hierarchy at 30 June 2019.

At 30 June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financials assets				
Designated at fair value through profit or loss				
Qualitas Wholesale Real Estate Income Fund	-	254,169	-	254,169
Financial assets not measured at fair value				
Loan asset	-	-	8,778	8,778
Total financial assets	<u>-</u>	<u>254,169</u>	<u>8,778</u>	<u>262,947</u>

The carrying value of other financial assets and financial liabilities approximates fair value.

5 Financial assets

	At 30 June 2019 \$'000
Qualitas Wholesale Real Estate Income Fund	254,169
Loan asset	<u>8,778</u>
	<u>262,947</u>

- Loan asset

The Trust has agreed to provide a loan to the Manager, to assist with the working capital requirements of the 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 capital raising of the Trust and may be paid or lent to related entities of the Manager. The Manager and the Trust amended the terms of the loan on the 25 June 2019. The 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 10 years from the first draw of each new tranche. As of 30 June 2019, the Manager requested a new tranche and therefore the current termination date of the loan is 10 years from the first draw date of 26 June 2019. The loan may be terminated and repaid earlier upon an event of default of the borrower as defined in the loan agreement. The loan is interest bearing at a rate of 5% p.a.

6 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangement.

The Trust considers its investment into the Qualitas Wholesale Real Estate Income Fund to be an investment into a structured entity. The Trust invests in the Qualitas Wholesale Real Estate Income Fund for the purpose of capital appreciation and or earning investment income.

The exposure to investments in the Qualitas Wholesale Real Estate Income Fund at fair value, and any related amounts recognised in the statement of comprehensive income is disclosed at Note 10(g) to the financial statements.

The exposure to investments in the Qualitas Wholesale Real Estate Income Fund at fair value that the Trust does not consolidate but in which it holds an interest is disclosed in the following table:

	Fair value of investment As at 30 June 2019 \$'000
Qualitas Wholesale Real Estate Income Fund	254,169

The fair value of the Qualitas Wholesale Real Estate Income Fund is included in financial assets held at fair value through profit or loss in the statement of financial position.

The Trust's maximum exposure to loss from its interest in the Qualitas Wholesale Real Estate Income Fund is equal to the fair value of its investments in the Qualitas Wholesale Real Estate Income Fund as there are no off-balance sheet exposures. Once the Trust has disposed of its units in the Qualitas Wholesale Real Estate Income Fund it ceases to be exposed to any risk from it.

During the period ended 30 June 2019, total gains/(losses) incurred on investments in the Qualitas Wholesale Real Estate Income Fund were \$34,228. The Trust also earned distribution income of \$6,734,416 as a result of its interests in the Qualitas Wholesale Real Estate Income Fund .

During the period ended 30 June 2019, the Trust did not provide financial support to structured entities.

7 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 30 June 2019	
	Units ('000)	\$'000
Net assets attributable to unitholders		
Opening balance	-	-
Capital raising – Initial Public Offering (IPO)	144,506	231,210
Capital raising – Private Placement	21,676	34,681
Distributions to unitholders	-	(4,592)
Profit/(Loss)	-	4,614
Closing balance	<u>166,182</u>	<u>265,913</u>

8 Distributions to unitholders

The distributions were paid/payable as follows:

	For the period 2 August 2018 to 30 June 2019	
	\$'000	Cents per unit
Distributions		
31 December	222	0.15
31 January	349	0.24
28 February	356	0.25
29 March	547	0.38
30 April	971	0.67
31 May	934	0.65
28 June (payable)	1,213	0.84
	<u>4,592</u>	<u>3.18</u>

9 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 30 June 2019
Operating profit/(loss) attributable to unitholders (\$'000)	4,614
Weighted average number of units on issue ('000)	144,907
Basic and diluted earnings per unit (cents)	3.1843

10 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 in the Perpetual Limited Group (ASX: PPT).

(b) Key management personnel of the Responsible Entity

Directors

Key management personnel includes persons who were Directors of the Responsible Entity at any time during the financial year as follows:

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) Other key management personnel

There were no other persons responsible for planning, directing and controlling the activities of the Trust, directly or indirectly during the financial year.

(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 charges 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).

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 30 June 2019 \$
Responsible entity fees for the period	78,855
Total fees payable to the Responsible Entity at period end	78,855
Custodian fees for the period	14,326
Total fees payable to the related party of the Responsible Entity at period end	6,201

10 Related party transactions (continued)

(e) Key management personnel of the Responsible Entity compensation

Key management personnel do not receive any remuneration directly from the Trust. They receive remuneration from the Responsible Entity in their capacity as Directors or employees of the Responsible Entity or its related parties. Consequently, the Trust does not pay any compensation to its key management personnel. Payments made from the Trust to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

(f) Key management personnel of the Responsible Entity unitholdings

During or since the end of the year, none of the Directors or Director related entities held units in the Trust, either directly, indirectly or beneficially. Neither the Responsible Entity nor its affiliates held units in the Trust at the end of the year or during the period.

(g) Investments

The Qualitas Real Estate Income Fund held investments in the following Trust which is managed by the Manager:

At 30 June 2019	Fair Value of Investment \$	Interest held (%)	Distributions received/ receivable \$	Units acquired during the period	Units disposed during the period
Qualitas Wholesale Real Estate Income Fund	254,169,207	100	6,734,416	158,826,553	-

The Trust did not hold any investments in The Trust Company (RE Services) Limited or of its affiliates during the year.

(h) Related party unitholdings

Qualitas Property Partners Pty Ltd who is a related party of the 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.

11 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	For the period 2 August 2018 to 30 June 2019 \$'000
(a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	
Profit/(loss) for the period	4,614
Net (gains)/losses on financial instruments at fair value through profit and loss	(34)
Interest income – loan assets	(235)
Net change in financial assets	(254,135)
Net change in receivables	(1,565)
Net change in payables	538
Net cash (outflow)/inflow from operating activities	(250,817)
(b) Components of cash and cash equivalents	
Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the statement of financial position as follows:	
Cash and cash equivalents	3,152
Cash and cash equivalents	3,152
(c) Non-cash financing and investing activities	
During the period, no distribution payments were satisfied by the issue of units under the distribution reinvestment plan.	

12 Auditor's remuneration

During the period, the following fees were paid or payable for services provided by KPMG, the auditor of the Trust:

	For the period 2 August 2018 to 30 June 2019 \$
Audit and other assurance services	
Audit and review of financial statements	<u>34,341</u>
Other services	
Taxation services	<u>21,405</u>

13 Segment information

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

14 Contingent assets and liabilities and commitments

There are no other outstanding contingent assets and liabilities or commitments as at 30 June 2019.

15 Events occurring after the reporting period

On 31 July 2019, the Directors declared a distribution of 0.82 cents per ordinary unit which amounted to \$1,354,382 and was paid on 16 August 2019.

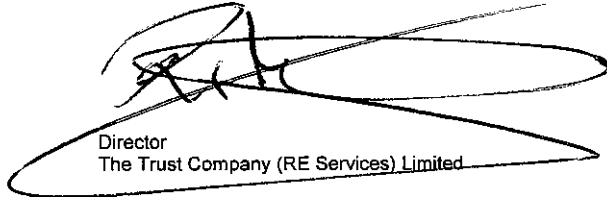
No other significant events have occurred since the reporting period which would impact on the financial position of the Trust disclosed in the statement of financial position as at 30 June 2019 or on the results and cash flows of the Trust for the period ended on that date.

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 financial statements and notes set out on pages 10 to 26 are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the Trust's financial position at 30 June 2019 and of its performance for the period from 2 August 2018 to 30 June 2019;
 - (ii) Complying with Australian Accounting Standards 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.
- (c) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Director
The Trust Company (RE Services) Limited

Sydney
22 August 2019



Independent Auditor's Report

To the unitholders of Qualitas Real Estate Income Fund

Opinion

We have audited the **Financial Report** of Qualitas Real Estate Income Fund ("the Trust").

In our opinion, the accompanying Financial Report of the Trust is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Trust's financial position as at 30 June 2019 and of its financial performance for the period from 2 August 2018 to 30 June 2019; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2019;
- Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the period from 2 August 2018 to 30 June 2019;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Trust in accordance with 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* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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.

This matter was 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 this matter.

Valuation of the financial assets held at fair value through profit or loss (\$254.16 m)	
Refer to Note 5 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>Financial assets held at fair value through profit or loss comprise of units held in Qualitas Wholesale Real Estate Income Fund (100% owned by the Trust) (“unit holdings”).</p> <p>Qualitas Wholesale Real Estate Income Fund and its investees primarily invests in loans.</p> <p>Valuation of unit holdings is a key matter due to the:</p> <ul style="list-style-type: none"> financial asset representing 94.96% of the Trust’s total assets; degree of audit effort and resources involved in assessing the underlying transaction records; importance of the performance of this financial asset in driving the Trust’s investment income and capital performance, as reported in the Financial Report; Trust outsourcing certain processes and controls relevant to recording and valuing investments to external service organisations, specifically the Investment Manager. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> assessing the appropriateness of the accounting policies applied by the Trust, including those relevant to the fair value hierarchy of investments, against the requirements of the accounting standards. reading the Trust’s Investment Manager’s GS007 (<i>Guidance Statement 007 Audit Implication of the Use of Service Organisation for Investment Management Services</i>) assurance report to understand the Investment Manager’s processes and assess controls to record and value the Trust’s unit holdings; checking the ownership and quantity of the unit holdings to the Qualitas Wholesale Real Estate Income Fund’s unit registry; comparing the valuation of unit holdings, as recorded in the general ledger, to the net assets of the Qualitas Wholesale Real Estate Income Fund as at 30 June 2019; evaluating the Trust’s assessment of the valuation of underlying assets held by Qualitas Wholesale Real Estate Income Fund and its investees, which primarily comprise loans. We did this by: <ul style="list-style-type: none"> testing controls in relation to the Investment Manager’s monitoring of loans, such as, the Investment Manager’s Portfolio Asset Management Committee review and approval of loan performance; and assessing the recoverability of a sample of loans by checking underlying loan

	<p>agreements for the level of assets securitised against these loans.</p> <ul style="list-style-type: none"> assessed quantitative and qualitative disclosures including those relevant to the fair value hierarchy of financial assets, against the requirements of the accounting standards.
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Other Information

Other Information is financial and non-financial information in Qualitas Real Estate Income Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of The Trust Company (RE Services) Limited (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

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

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Trust's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our Auditor's Report.

KPMG

Rachel Milum

Partner

Melbourne

22 August 2019

Qualitas Real Estate Income Fund
ARSN 627 917 971

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is as follows. The information is current as at 16 July 2019 unless otherwise indicated.

A. Distribution of Units

Analysis of numbers of unitholders by size of holding:

	Size of holding	No of Holders	Total Units	Percentage
Ranges:	1 - 1,000	86	55,277	0.03%
	1,001 - 5,000	661	1,975,372	1.19%
	5,001 - 10,000	560	4,170,894	2.51%
	10,001 - 100,000	1,603	53,680,348	32.30%
	100,001 and over	196	106,299,928	63.97%
	Total	3,106	166,181,819	100.00%

B. Largest unitholder

The names of the twenty largest holders of quoted units are listed below:

	Holder Name	Holding	Percentage
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	34,682,407	20.87%
2	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	10,650,486	6.41%
3	QUALITAS PROPERTY PARTNERS PTY LTD	6,250,000	3.76%
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,270,231	2.57%
5	HIGHPOINT SHOPPING CENTRES PTY LTD AND/OR NOMINEES	3,125,000	1.88%
6	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	2,183,545	1.31%
7	MERLVIC-SHRANK PTY LIMITED	2,000,000	1.20%
8	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,406,273	0.85%
9	ORPHEO PTY LTD	1,000,000	0.60%
10	ERWIN KOHN	625,000	0.38%
11	BATROUNEY PTY LTD <BATROUNEY SUPER FUND A/C>	625,000	0.38%
12	ANGLESEA INVESTMENTS PTY LIMITED <DAMIEN O'BRIEN FAMILY A/C>	625,000	0.38%
13	O'BRIEN PF PTY LTD <O'BRIEN PENSION A/C>	625,000	0.38%
14	BELLA VETRINA PTY LTD <JACQUELINE ISRAEL FAMILY A/C>	625,000	0.38%
15	DAVTOM FINANCE PTY LTD	625,000	0.38%
16	MRS SHOSHANA ISRAEL	625,000	0.38%
17	TOOKY INVESTMENTS PTY LTD	625,000	0.38%
18	FOURBACK PTY LIMITED <GRIFFIN SUPER FUND A/C>	625,000	0.38%
19	ZUMBRO PTY LTD <HENDERSON FAMILY A/C>	625,000	0.38%
20	FOUNDATION FOR ALCOHOL RESEARCH AND EDUCATION PTY LTD	625,000	0.38%

ASX ADDITIONAL INFORMATION

C. Substantial unitholders

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

	<u>Date of notice</u>	<u>Units</u>
Macquarie Group Limited and its controlled body corporates	1 July 2019	8,785,819

D. Marketable parcels

The number of unitholders holding less than a marketable parcel of \$500 worth of units is 5 and they hold a total of 616 units.

E. Voting rights

Voting rights which may attach to or be imposed on any unit or class of units is as follows:

- (a) on a show of hands each unitholder has one vote; and
- (b) on a poll, each unitholder has one vote for each dollar of the value of the total interests they have in the Trust.

F. Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 2. Each investment transaction may involve multiple contract notes. The total brokerage paid on these contract notes was \$Nil.

G. Stock exchange listing

The Trust's units are listed on the Australian Securities Exchange and are traded under the code "QRI".

H. Unquoted units

There are no unquoted units on issue.

I. Voluntary escrow

6,250,000 units are subject to a voluntary escrow. This escrow period ends on 27 November 2023.

J. On-market buy-back

There is no current on-market buy-back.

K. Registered Office of the Responsible Entity

The Trust Company (RE Services) Limited
Level 18, 123 Pitt Street
Sydney NSW 2000
Telephone: 02 8295 8100

L. Unit registry

Automic Pty Ltd
Level 5
126 Phillip Street
Sydney NSW 2000

M. Responsible entity company secretaries

Eleanor Padman
Gananatha Minithantri
Sylvie Dimarco