Qualitas Group Aggregation

Annual Special Purpose Financial Report

For the year ended 30 June 2019

Qualitas Group Aggregation

Contents

30 June 2019

This special purpose financial report covers the entities that make up the Qualitas group ("Qualitas Group") for the financial year ended 30 June 2019.

The Qualitas Group's registered office is:
Level 18, 530 Collins Street
Melbourne, VIC 3000

The Qualitas Group's principal place of business is:
Level 38, 120 Collins Street
Melbourne, VIC 3000

Qualitas Group Aggregation

Directors' Report

As at 30 June 2019

The directors of Qualitas Property Partners Pty Ltd (the "Company") present their report with the financial statements of the entities that make up the Qualitas Group (referred to hereafter as the "Qualitas Group"), for the financial year ended 30 June 2019, and the auditor's report thereon.

PRINCIPAL ACTIVITIES

The principal activities of the Qualitas Group during the course of the financial year were the provision of financial services and investment products to sophisticated investors in connection with Australian real estate.

The provision of financial services includes the arranging, provision and ongoing management of senior or mezzanine mortgages and loans to approved borrowers, as well as arranging and provision of preferred equity or equity facilities, to facilitate real estate acquisition, development, construction or investment by approved third parties. The provision of investment products includes the arranging and ongoing management of both proprietary and third party capital to provide the funding to the aforementioned facilities.

These activities were performed in accordance with the Qualitas Group Australian Financial Services Licence ("AFSL") No. 342242, which was granted by the Australian Securities and Investments Commission ("ASIC") on 10 March 2010. The Qualitas Group's AFSL is held by Qualitas Securities Pty Ltd, an entity that is wholly-owned by Qualitas Property Partners Pty Ltd.

The Qualitas Group contains the following operating segments:

Segment	Role(s)
Qualitas Corporate Group	Provides corporate services to the business including group strategy, capital management, risk management, capital raising, investor relationship management, trustee, funds management, finance, accounting, taxation, regulatory compliance, investment administration and business operation services.
Qualitas Principal Investments	Specialist arranger and provider of preferred equity or equity investment facilities to real estate developers, including the provision of project management and joint venture management services to approved third parties for large-scale real estate acquisition or development.
Qualitas Real Estate Finance	Specialist in providing senior and mezzanine lending facilities through limited or non-recourse loans provided to borrowers for real estate acquisition, development, construction or investment purposes.
Arch Finance	Specialist in providing senior lending facilities and associated services through first mortgages registered over borrowers' real estate assets, where the lending criteria are established by the governing documents of the Arch Finance Warehouse Trust.
Peer Estate	Peer to peer platform for real estate debt, providing an online debt market through which investors can participate in loans secured over Australian real estate. The online business allows real estate borrowers and investors to engage with each other in a transparent process.

The directors and management of the Qualitas Group consider its ability to provide financial services and investment products across the full capital structure, underpinned by extensive experience in the Australian real estate market, to be core to the Qualitas Group's value proposition to its clients and sophisticated investors.

In the opinion of the directors of the Company, there have been no significant changes to the state of affairs of either the Company or the Qualitas Group that have occurred during the financial year under review.

Qualitas Group Aggregation

Directors' Report

As at 30 June 2019

GOVERNANCE

Directors

The following persons held office as directors of the Company during the year, or since the end of the financial year and up to the date of this report:

- Andrew Schwartz Group Managing Director
- Alan Schwartz Non-Executive Director
- Carol Schwartz Non-Executive Director

Qualitas Corporate Group Advisory Board

The Qualitas Corporate Group Advisory Board ("The Advisory Board") provides oversight, guidance and decision making (where required) on matters pertaining to the governance of the Qualitas Group's general business affairs, including strategy, corporate governance, internal control systems, risk management and Financial Reporting.

The Qualitas Corporate Group Advisory Board comprises the directors of the Company as well as the following members who were advisors to the directors of the Company during the year, or since the end of the financial year and up to the date of this report:

- Michael Schoenfeld Non-Executive Chairperson and Advisory Board Member
- Elana Rubin Non-Executive Advisory Board Member
- David Krasnostein Non-Executive Advisory Board Member

Meetings of the Qualitas Corporate Group Advisory Board are attended by members of Qualitas Group management. The Qualitas Corporate Group Advisory Board meets 8 times each calendar year, with further meetings held as required.

Qualitas Securities Board ("Trustee Board")

The Trustee Board provides oversight of management's compliance with the Qualitas Group's AFSL and safeguard the interests of investors in financial products for which Qualitas Securities acts as Trustee.

The directors of Qualitas Securities Pty Ltd during the year, or since the end of the financial year and up to the date of this report were:

- Lewis Bearman Non-Executive Chairperson
- Andrew Schwartz Group Managing Director
- Andrew Fairley AM Non-Executive Director

Meetings of the Trustee Board are attended by members of Qualitas Group management. The Qualitas Securities Board meets on a quarterly basis, with further meetings held as required.

Risk Committee

The Risk Committee is a sub-committee of the Advisory Board, to assist the Advisory Board in the effective discharge of its responsibilities in the areas of enterprise risk management, which includes review and monitoring of internal control systems, risk management systems and insurance. The members of the Risk Committee during the year, or since the end of the financial year and up to the date of this report were:

- Elana Rubin Non-Executive Chairperson and Advisory Board Member
- Carol Schwartz Non-Executive Director
- David Krasnostein Non-Executive Advisory Board Member
- Andrew Schwartz Group Managing Director

Risk Committee (continued)

Meetings of the Risk Committee are attended by members of Qualitas Group management. The Risk Committee meets on a quarterly basis, with further meetings held as required.

People and Culture Committee

The People and Culture Committee is a sub-committee of the Advisory Board, to assist the Advisory Board in the effective discharge of its responsibility in providing oversight and guidance and, where appropriate, to make recommendations to management on remuneration practices (including staff bonus, fund performance fee and deal participation entitlement) and general business affairs relating to recruitment, cultural diversity, training, development and retention of staff.

The members of the People and Culture Committee during the year, and since the end of the financial year and up to the date of this report were:

- Andrew Schwartz — Executive Chairperson (Group Managing Director)
- Elana Rubin — Non-Executive Advisory Board Member
- Michael Schoenfeld — Non-Executive Advisory Board Member
- David Krasnostein — Non-Executive Advisory Board Member

Meetings of the People and Culture Committee are attended by members of Qualitas Group management. The People and Culture Committee meets on a quarterly basis, with further meetings held as required.

Qualitas and Fund Investment Committees

The Qualitas Investment Committee and various Fund Investment Committees are sub-committees of the Advisory Board. These committees oversee the investment selection, due diligence, approval and ongoing monitoring and review process.

The members of the Qualitas Investment Committee during the year, and since the end of the financial year and up to the date of this report were:

- Gerd Mayer — Executive Chairperson (Chief Risk Officer)
- Michael Schoenfeld — Non-Executive Advisory Board Member
- David Krasnostein — Non-Executive Advisory Board Member
- Alan Schwartz — Non-Executive Director
- Andrew Schwartz — Group Managing Director

Meetings of the Qualitas Investment Committee are attended by members of Qualitas Group management. The Qualitas Investment Committee meets as required. The members of the various Fund Investment Committees during the year, and since the end of the financial year and up to the date of this report were:

- Gerd Mayer — Executive Chairperson (Chief Risk Officer)
- Michael Schoenfeld — Non-Executive Advisory Board Member
- David Krasnostein — Non-Executive Advisory Board Member
- Alan Schwartz — Non-Executive Director
- Andrew Schwartz — Group Managing Director
- Mark Fischer — Managing Director – Global Head of Real Estate
- Tim Johansen — Managing Director – Global Head of Capital

The Qualitas and Fund Investment committees are attended by members of Qualitas Group management. The Qualitas and Fund Investment Committees meet as required.

Arch Finance & Peer Estate Advisory Board

The Arch Finance and Peer Estate Advisory Board provides oversight, guidance and decision making (where required) on matters pertaining to the governance of Arch Finance and Peer Estate general business affairs, including strategy, corporate governance, internal control systems, risk management and Financial Reporting. The members of the Arch Finance and Peer Estate Advisory Board during the year, and since the end of the financial year and up to the date of this report were:

- David Krasnostein — Non-Executive Chairperson and Advisory Board Member
- Alan Schwartz — Non-Executive Director
- Andrew Schwartz — Group Managing Director – Qualitas
- Michael Schoenfeld — Non-Executive Advisory Board Member

Meetings of the Arch Finance & Peer Estate Advisory Board are attended by members of Qualitas Group and Arch Finance management. The Arch Finance & Peer Estate Advisory Board meets monthly or as required.

Executive and Senior Management

The Qualitas Group was led by an experienced executive and senior management team during the year, and since the end of the financial year and up to the date of this report:

- Group Managing Director – Qualitas — Andrew Schwartz
- Managing Director – Arch Finance — Russell Brennan
- Managing Director – Global Head of Real Estate — Mark Fischer
- Managing Director – Global Head of Capital — Tim Johansen
- Chief Risk Officer — Gerd Mayer
- Managing Director – Global Head of Strategy — Kathleen Yeung (retired 30 October 2019 as CFO, appointed Managing Director – Global Head of Strategy 1 November 2019)
- Chief Financial Officer — Philip Dowman (appointed 1 November 2019)

Qualitas Finance & Audit Committee

The Qualitas Finance & Audit Committee is a sub-committee of the Advisory & Trustee Board. The committee oversees the Finance & Audit function approval processes for corporate group and fund external audits, budget processes and other Finance functions. The members of the Qualitas Finance & Audit Committee during the year, and since the end of the financial year and up to the date of this report were:

- Alan Schwartz — Non-Executive Director
- Michael Schoenfeld — Non-Executive Advisory Board Member
- Andrew Schwartz — Group Managing Director

Meetings of the Qualitas Finance & Audit Committee are attended by members of Qualitas Group management. The Qualitas Finance & Audit Committee meets as required.

QUALITAS

QUALITAS GROUP AGGREGATION

For the purpose of the accompanying financial statements, the aggregated Qualitas Group comprises the following four sub-groups:

Sub-group	Head Entity	Role
Qualitas Property Partners Group	Qualitas Property Partners Pty Ltd	Operating, financing and investing activities pertaining to the Group's provision of financial services, investment funds and projects.
ACS & AJS Real Estate Group	Qualitas Pty Ltd	Provides finance to the group from its shareholders.
Qualitas Investments Group	Qualitas Investments Pty Ltd	Holds the Group's investment in Arch Finance, Peer Estate, Qualitas Fund Managers and Fund Trustee Companies.
Qualitas Capital Partners Group	Qualitas Capital Partners Pty Ltd	Antecedent company of the Qualitas Property Group, which holds assessed tax losses that were incurred in the Qualitas Group's formative years, which are still available for use over time.

The entities which comprise these sub-groups are outlined in the Notes to the accompanying financial statements.

Financial reporting principles

The accounting treatment of the entities that comprise the Qualitas Group are as follows:

Accounting treatment	Qualitas Group's ability to influence operating and financing decisions	Description of accounting treatment	For example
Cost method	Neither significant influence, nor joint control nor control	The parent entity reflects the cost of its investment in the underlying entity, and only recognises any returns in the Income Statement when declared as dividends or distributions from the underlying entity. Where the underlying entity incurs losses or there are other objective indications of impairment, the carrying value of the investment will be assessed for impairment by the parent.	Qualitas Real Estate Finance non-fund deals
Equity accounting method	Significant influence or joint control	The parent entity reflects its share of the underlying entity's post-acquisition gains or losses in its Income Statement, when incurred by the underlying entity, irrespective of whether the underlying entity has declared a dividend or distribution for the period.	Spire Apartments
Consolidation	Control	The parent entity reflects 100% of the underlying entity's assets, liabilities, income and expenses, as well as non-controlling parties' interests in the entity (which may be treated as either a liability or equity, depending on the legal form of the arrangement).	Fawkner (Fund), Spire (Fund) and Marrickville
Fair value accounting	Control	Principal assets that do not meet the criteria of amortised cost have been designated as fair value through the statement of profit or loss.	Food Infrastructure Fund, Construction Debt Fund and Opportunity Fund, Digital Harbour

Financial reporting principles (continued)

At 30 June 2019, the accompanying financial statements reflect the projects or deals with a material effect that comprise the Qualitas Group as follows:

Project/deal name	Consolidated	Equity Accounted	Investments at cost*	Investment at fair value	Receivables *
Spire Fund	✓				
Spire project entity		✓			
Fawkner Fund	✓				
Marrickville	✓				
Digital Harbour		✓			
WRAP Apartments			✓		
Whitford					✓
Techin					✓
Moda					✓
Caydon Alphington					✓
Geocon Bradden					✓
Eureka Melton					✓
Eureka Elpis					✓
Chippendale					✓
Le Hunte, Annandale					✓
Stellar Elsternwick					✓
Construction Debt Fund			✓		
Qualitas Real Estate Income Fund				✓	
Opportunity Fund				✓	
Food Infrastructure Fund				✓	

** Investments at cost* and *Receivables* are carried at their cost less provisions for accumulated impairment losses *(if required)*

REVIEW AND RESULTS OF OPERATIONS

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

	2019 $	2018 $
Net profit for the year attributable to owners of the Qualitas Group	3,776,624	11,518,678
Distributions to owners of the Qualitas Group	(4,168,431)	(6,543,646)
Net (loss)/earnings carried forward for owners of the Qualitas Group	(391,807)	4,975,032

The decrease in net asset position relative to the prior year is driven by the decrease in assets attributable to non-controlling interests (NCI) with the prior year reflecting NCI assets relating to project entities, now largely repaid.

Significant activities that took place during the financial year under review, which have had a material impact on the Qualitas Group's financial performance and position at 30 June 2019 included:

- Settlements of apartments in the Fawkner Centre development finalised. Proceeds have extinguished the residual stock loan debt facility as well as the preferred equity obligations. The project was sold to an external party in December 2018.
- Settlements of apartments in the Spire Apartments development continue. Up to 30 June 2019, 69 apartments were sold at a gross value of $32.2m. Post 30 June 2019, all remaining 7 apartments have been sold.
- With respect to the Marrickville project, the Qualitas Group, through a subsidiary entity has acquired the 50.01 % interest held by the Joint Venture Partner in the project, resulting in Qualitas owning 100% of the project.

REVIEW AND RESULTS OF OPERATIONS (continued)

- Qualitas established a new fund, Qualitas Real Estate Income Fund ("QREIF") which has been registered with ASIC and was listed on the Australian Securities Exchange on the 27th of November 2018. QRI Manager Pty Ltd has been appointed as the investment manager of the QREIF. The Manager is a wholly owned member of the Qualitas Group. Listing costs incurred by the QREIF will be borne by Qualitas and funded via a Manager loan provided by the QREIF at listing.
- Launch of Qualitas US Multifamily Fund in December 2018. The Fund invests in the Qualitas US Multifamily Property Fund No.1 which entered indirectly into a joint-venture agreement with a US-based developer to develop a multifamily residential building in New York, USA. The objective of the investment is to derive rental income via distributions from Qualitas US Multifamily Property Fund No.1 from the completed property development prior to exiting the investment through a sale event.
- Launch of the Qualitas Mezzanine Debt Fund in January 2019. The Fund invests in a portfolio of loan assets secured by second ranking mortgages over Australian real estate.
- Launch of the Qualitas Land Fund – Series 1 in April 2019. The Fund invests in a portfolio of loan assets secured by first ranking mortgages over Australian land real estate.
- Launch of the Qualitas Seniors Housing Fund in April 2019. The Fund invests in the Qualitas Seniors Housing Property Fund which holds an investment via an interposed trust structure in a portfolio of retirement villages in Victoria, Australia. The objective of the Fund is to derive income and capital growth from the investment in the retirement villages with the objective of a potential exit event at the end of the fund term,

The results reported in the accompanying financial statements reflect the earnings by the Qualitas Group and its investors generated by its continued principal business activities, which included the sale and planned exit from projects as well as new investments undertaken by the Qualitas Group and its third party capital providers during the financial year under review.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Qualitas Group will continue to operate a financial services business within the scope of its business strategy, in accordance with the provisions of its AFSL.

It is not foreseen that the Qualitas Group will undertake any significant change in its general direction during the coming financial period. Further information about likely developments in the operations of the Qualitas Group and the expected results of those operations in future financial periods has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Qualitas Group.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The following material transactions or events took place subsequent to 30 June 2019 and up to the date of this report:

- QRI Manager Pty Ltd announced a 1-for-1 Accelerated Non-Renounceable Entitlement Offer in relation to QREIF, raising approximately $94.7m in total. This amount includes the proceeds of the Wholesale and Early Retail Entitlement Offers (approx. $40.1m – settled on 26 September 2019); the Retail Entitlement Offer (approx. $19.4m); and Shortfall Offer (approx. $35.2m), which both settled on 17 October 2019.
- Launch of the Qualitas Real Estate Opportunity Fund II. The Fund closed on 5 September 2019, having raised $75.2m.

Apart from the above, which do not have any financial effect on the 30 June 2019 financial statements, there has not arisen in the interval between 30 June 2019 and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Qualitas Group, the results of those operations or the state of affairs of the Qualitas Group, in future financial years.

ENVIRONMENTAL REGULATION

The Qualitas Group's operations are not subject to significant environmental regulation under either Commonwealth or State legislation.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

The Qualitas Group has taken out directors' and officers' insurance to indemnify current directors and officers of the Qualitas Group, against all liabilities to another person (other than the entities within the Qualitas Group or a related body corporate) that may arise from their position as directors of the Qualitas Group, except where the liability arises out of conduct involving a lack of good faith. The Qualitas Group has not indemnified or made a relevant agreement for indemnification against a liability with any person who is or has been an auditor of the Qualitas Group.

Insurance premiums

During the financial year the Company's paid insurance premiums on behalf of the Qualitas Group (which includes the Company) in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2019 and since the financial period. The Company has paid or agreed to pay on behalf of the Qualitas Group, premiums in respect of such insurance contracts for the year ending 30 June 2019. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been directors or executive officers of the Qualitas Group.

This report is made in accordance with a resolution of the directors of Qualitas Property Partners Pty Ltd, on behalf of the Qualitas Group.

Andrew Schwartz
Managing Director
Melbourne, 28 November 2019

Qualitas Group Aggregation

Statement of Financial Position

As at 30 June 2019

	Note	2019 $	2018 $
Assets			
Cash and cash equivalents	*8*	19,396,976	24,422,501
Trade and other receivables	*9*	10,359,533	6,752,759
Inventories	*10*	22,685,904	7,266,529
Investments	*11*	108,951,872	188,066,578
Prepayments		427,832	326,656
Income tax receivable		742,312	-
Total current assets		**162,564,429**	**226,835,023**
Trade and other receivables	*9*	1,454,802	1,021,124
Equipment		765,765	819,415
Intangibles		8,539,740	-
Investments	*11*	315,986,260	245,306,105
Deferred tax asset		-	450,893
Total non-current assets		**326,746,567**	**247,597,537**
Total assets		**489,310,996**	**474,432,560**
Liabilities			
Income tax payable		-	1,119,922
Trade and other payables	*12*	7,058,775	8,240,307
Deferred income	*13*	3,783,121	4,520,922
Employee benefits	*14*	2,747,050	1,569,797
Loans and borrowings	*15*	130,624,589	151,593,473
Distribution payable		396,115	1,606,386
Total current liabilities		**144,609,650**	**168,650,807**
Deferred tax liability		461,309	-
Employee benefits	*14*	203,598	265,944
Loans and borrowings	*15*	298,011,833	227,178,719
Total non-current liabilities		**298,676,740**	**227,444,663**
Total liabilities		**443,286,390**	**396,095,470**
NET ASSETS		**46,024,606**	**78,337,090**
Equity			
Issued capital		22,875,414	28,442,404
Accumulated profits		65,346,578	61,569,954
Distributions by ACS & AJS Financier Trust	*3(a)(i)*	(48,220,626)	(44,052,195)
Total equity attributable to equity holders of the		**40,001,366**	**45,960,163**
Non-controlling interests	*17*	6,023,240	32,376,927
TOTAL EQUITY		**46,024,606**	**78,337,090**

The *Statement of Financial Position* is to be read in conjunction with the Notes to the financial statements.

Qualitas Group Aggregation

Statement of Changes in Equity

For the year ended 30 June 2019

	Issued capital	Distribution reserve	Retained earnings	Total before non-controlling interests	Non-controlling interests	Total after non-controlling interests
	$	$	$	$	$	$
Balance at 1 July 2017	40,914,868	(37,508,549)	50,051,276	53,457,595	32,558,037	86,015,632
Total comprehensive income for the year						
Profit for the year	-	-	11,518,678	11,518,678	47,259,576	58,778,254
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	11,518,678	11,518,678	47,259,576	58,778,254
Transactions recorded directly in equity						
Contributions/(return) of capital	(12,472,464)	-	-	(12,472,464)	-	(12,472,464)
Non-controlling interest in subsidiary formed	-	-	-	-	-	-
Contributions by and distributions to owners						
Distributions to owners	-	(6,543,646)	-	(6,543,646)	-	(6,543,646)
Distributions to NCI – profits	-	-	-	-	(18,441,484)	(18,441,484)
Distributions to NCI – capital	-	-	-	-	(28,999,202)	(28,999,202)
Total transactions recorded directly in equity	(12,472,464)	(6,543,646)	-	(19,016,110)	(47,440,686)	**(66,456,796)**
Balance at 1 July 2018	**28,442,404**	**(44,052,195)**	**61,569,954**	**45,960,163**	**32,376,927**	**78,337,090**
Total comprehensive income for the year						
Profit for the year	-	-	3,776,624	3,776,624	316,803	4,093,427
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	3,776,624	3,776,624	316,803	4,093,427
Transactions recorded directly in equity						
Contributions/(return) of capital	(5,566,990)	-	-	(5,566,990)	-	(5,566,990)
Non-controlling interest in subsidiary formed	-	-	-	-	-	-
Contributions by and distributions to owners						
Distributions to owners	-	(4,168,431)	-	(4,168,431)	-	(4,168,431)
Distributions to NCI – profits	-	-	-	-	(15,445,131)	(15,445,131)
Distributions to NCI – capital	-	-	-	-	(11,225,359)	(11,225,359)
Total transactions recorded directly in equity	(5,566,990)	(4,168,431)	-	(9,735,421)	(26,670,490)	(36,405,911)
Balance at 30 June 2019	**22,875,414**	**(48,220,626)**	**65,346,578**	**40,001,366**	**6,023,240**	**46,024,606**

The amounts recognised directly in equity are disclosed net of tax.

The *Statement of Changes in Equity* is to be read in conjunction with the Notes to the financial statements.

Qualitas Group Aggregation

Statement of Profit or Loss and Other Comprehensive income

For the year ended 30 June 2019

	Note	2019 $	2018 $
Interest income	6	26,592,336	26,126,050
Interest expense	6	(16,930,730)	(15,747,149)
Net interest income		**9,661,606**	**10,378,901**
Performance fees		3,411,543	1,196,431
Income from the provision of financial services	4	21,211,854	19,896,036
Other income	5	1,538,815	180,000
Unrealised gains – fair value through profit & loss		3,361,107	-
Total income from the provision of financial services		**29,523,319**	**21,272,467**
Sales of apartments		7,106,504	257,932,592
Cost of sales of apartments		(5,247,850)	(200,189,374)
Profit from sale of apartments		**1,858,654**	**57,743,218**
Operating Expenses:			
Employee costs		(25,256,224)	(20,252,833)
Marketing and sales commission expenses - projects		(286,617)	(8,782,652)
Rental expenses		(1,426,328)	(1,121,911)
Consulting and professional fees		(1,542,037)	(3,806,110)
Travel expenses		(656,090)	(484,602)
Depreciation and amortisation		(764,121)	(146,351)
Other operating expenses		(5,299,556)	(4,746,809)
Total operating expenses		**(35,230,973)**	**(39,341,268)**
Equity accounted result for the year - Spire Apartments		13,556	12,080,277
Equity accounted result for the year - Marrickville		-	(314,305)
Profit before income tax		**5,826,162**	**61,819,290**
Total income tax expense	7	(1,732,735)	(3,041,036)
Profit for the year		**4,093,427**	**58,778,254**
Other comprehensive income		-	-
Total comprehensive income for the year		**4,093,427**	**58,778,254**
Total comprehensive income attributable to:			
Owners of the Qualitas Group		3,776,624	11,518,678
Non-controlling interests	17	316,803	47,259,576
		4,093,427	**58,778,254**

The *Statement of Profit or Loss and Other Comprehensive Income* is to be read in conjunction with the Notes to the financial statements

Qualitas Group Aggregation

Statement of Cash flows

For the year ended 30 June 2019

	Note	**2019**	**2018**
		$	**$**
Cash flows from operating activities			
Interest received – Arch Finance		20,704,643	17,957,420
Interest paid – Arch Finance		(15,567,535)	(12,747,209)
Interest received – Debt fund		-	3,168,226
Interest received – residual Qualitas Group		3,572,072	2,476,557
Interest paid – residual Qualitas Group		(1,363,195)	(2,999,940)
Receipts from provision of financial services		26,797,294	38,254,963
Payments to suppliers, employees and others		(38,712,173)	(38,726,514)
Receipts from sale of Fawkner project apartments		7,106,504	257,932,592
Payments in relation to projects		(20,667,225)	(32,656,768)
Tax paid		(2,682,765)	(3,195,115)
Receipts from sale of apartments – goods and services tax		862,608	20,242,857
Net mortgage loans issued		(41,562,968)	(30,221,961)
Net investment and investment loans		43,739,366	(38,182,005)
Net cash (used in)/provided by operating activities	19	**(17,773,374)**	**181,303,103**
Cash flows from investing activities			
Payments for fixed assets		(710,470)	(623,580)
Net cash (used in) investing activities		**(710,470)**	**(623,580)**
Cash flows from financing activities			
Net proceeds/(payment) from loans and borrowings		49,864,230	(111,807,961)
Distributions to shareholders of the parent – capital and profit		(9,735,421)	(19,016,110)
Distribution to NCI – capital and profits		(26,670,490)	(47,440,686)
Net cash provided/(used in) by financing activities		**13,458,319**	**(178,264,757)**
Net (decrease)/increase in cash and cash equivalents		**(5,025,525)**	**2,414,766**
Cash and cash equivalents at the beginning of the year		24,422,501	22,007,735
Cash and cash equivalents at the end of the year	8	**19,396,976**	**24,422,501**

The *Statement of Cashflows* is to be read in conjunction with the Notes to the financial statements.

QUALITAS

1 Reporting entity

The Qualitas Group (the "Group") is domiciled in Australia. The aggregated financial statements of the Group as at and for the year ended 30 June 2019 comprise all the entities listed in Note 16. The Group is 'for profit' and primarily involved in the provision of financial services and investment products to sophisticated investors.

In the opinion of the directors, the Group is not publicly accountable, nor a reporting entity. Accordingly, the financial report of the Group has been drawn up as a special purpose financial report for distribution to the members.

2 Basis of preparation

(a) Statement of compliance

The special purpose financial report has been prepared in accordance with the requirements of the recognition and measurement aspects of all applicable Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and other authoritative pronouncements of the AASB that have a material effect, except for the departures as set out in Note 2(b)(iii) below.

The financial report does not include the disclosure requirements of all AASBs except for the following minimum requirements:

AASB 101:	*Presentation of Financial Statements*
AASB 108:	*Accounting Policies, Changes in Accounting Estimates and Errors*
AASB 1048:	*Interpretation and Application of Standards*
AASB 1054:	*Australian Additional Disclosures*

The financial statements were authorised for issue by the Directors on 28 November 2019.

(b) Basis of aggregation and departures from the measurement and recognition requirements of the Accounting Standards

The Group's aggregated financial statements include the aggregation of the results and net assets of the four sub-groups set out below:

(i) *Entities aggregated*

The four sub-groups of the Qualitas Group Aggregation are as follows:

- Qualitas Capital Partners Group
- Qualitas Investments Group
- Qualitas Property Partners Group
- ACS & AJS Real Estate Group

The individual entities comprising the Qualitas Group Aggregation are set out in Note 16.

(b) Basis of aggregation and departures from the measurement and recognition requirements of the Accounting Standards (continued)

Qualitas Property Partners Pty Ltd and ACS & AJS Real Estate Financier Unit Trust are subject to a de facto control relationship and qualify for consolidation under AASB 10 *Consolidated Financial Statements*. De facto control by ACS & AJS Real Estate Financier Unit Trust over Qualitas Property Partners Pty Ltd was established in June 2014 as a result of common decision making rights being contractually established, along with indirect exposure, and rights to variable returns between these entities.

(ii) *Transactions eliminated on aggregation*

Intra-group balances and transactions within and between each of the four groups. These entities are listed in Note 16, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the aggregated financial statements.

(iii) *Departures from the measurement and recognition requirements of the Accounting Standards*

a. Equity Accounting

Certain investees of the Group are deemed to be joint ventures that are required to be accounted for using the equity method under the Accounting Standards. The directors have made an accounting policy election to not equity account the associates set out below, on the basis that the Group's financial interests and returns in the related projects are more appropriately presented on a non-equity accounted basis accounted at cost.

Associate investees:

- Digital Harbour Investments Pty Ltd;
- BBDH SF Investor B Pty Ltd;
- WRAP Apartments Holding Pty Ltd;
- WRAP Apartments Pty Ltd; and
- Applemead Pty Ltd.

In the event equity accounting had been applied, in accordance with the requirements of the Accounting Standard *AASB 128 Investment in Associates and Joint Ventures* and *AASB 11 Joint Arrangements* the share of investee's post acquisition profits and losses would have been recognised by the Group as share of equity accounted earnings rather than rendering of services income and interest income with the corresponding amounts recorded against the balance sheet investment balances in these investees.

b. Aggregation of Groups

As noted previously, the Qualitas Capital Partners Group and Qualitas Investments Group are aggregated into the aggregated financial statements. Control for financial reporting purposes of these groups and the entities within them by ACS & AJS Real Estate Financier Unit Trust and Qualitas Property Partners Pty Ltd has not been established in accordance with AASB 10.

(c) Basis of measurement

The aggregated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value in the statement of financial position.

(d) Functional and presentation currency

These aggregated financial statements are presented in Australian dollars, which is the functional currency of the Group.

(e) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key judgements involve:

- the use of assumptions relating to the recoverable value of the Group's investments, including mortgage asset receivables. The measurement of impairment of mortgage asset receivables requires management's best estimate of any losses incurred on the mortgage asset receivables at reporting date. The assessment for the need of individual and collective provisioning involves the use of assumptions for estimating the amount and timing of expected cash flows. The process of estimating the amount and timing of cash flows involves considerable management judgement, where such judgements are regularly revisited;

- the use of key assumptions underlying the recoverability of capitalised project costs (Note 10 – Inventories). This involves estimation of forecast costs, sales and net profit from relevant projects;

- the determination of the nature and accounting treatment of investments in joint arrangements and controlled entities can involve complex judgements about the Group's exposure to risks and rewards including assessments of the extent of influence and the nature of rights and obligations attached to investments; and

- the determination of the presentation of non-controlling interests as either debt or equity instruments can involve complex judgements about the non-controlling interests income distribution and capital redemption rights and obligations attached to interests held in subsidiaries of the Group.

(f) Changes in significant accounting policies

The Group has initially applied AASB 15 and AASB 9 from 1 July 2018. A number of other new standards are also effective from 1 July 2018 but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

(i) AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018)). Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously

(f) Changes in significant accounting policies (continued)

(i) AASB 15 Revenue from Contracts with Customers (continued)

reported, under AASB 118, AASB 111 and related interpretations.

Additionally, the disclosure requirements of AASB 15 have not generally been applied to comparative information.

The adoption of AASB 15 did not have a material impact on the preparation of the financial statements for the current year.

(ii) AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

The adoption of AASB 9 did not have a material impact on the preparation of the financial statements for the current year.

Classification and measurement of financial assets and financial liabilities

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial assets.

For an explanation on how the Group classifies and measures financial instruments and accounts for related gains and losses under AASB 9, see Note 3(b).

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL model). The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139 – see Note 3(e).

For assets in the scope of the AASB 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that AASB 9 does not have any significant impact on the financial statements as a whole.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests ("NCI")
NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Classification of NCI as either debt or equity is based on the underlying rights and obligations of the NCI. Debt classification arises in the event the relevant controlled entity is a limited life entity, distributions of profit or contributed capital are mandatory or the NCI has a right to redeem its contributed capital. In the event of any of these conditions are not satisfied, equity classification may apply to the NCI.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

De facto agents
In assessing control, the Group has considered the nature of its relationship with other parties and those other parties are acting on the Group's behalf (de facto agents). A party is a de facto agent when the Group (the investor) has, or those that direct the activities of the investor have, the ability to direct that party to act on the investor's behalf. Under the accounting standard AASB 10, the Group has determined that the contractual relationship between ACS and AJS Real Estate Financier Unit Trust ("Financier Trust") and Qualitas Property Partners Pty Ltd meets the criteria for consolidation as a de facto relationship exists between these entities.

The Company is the legal parent entity of the consolidated group. ACS and AJS Real Estate Financier Unit Trust ("Financier Trust") is consolidated by way of a de facto arrangement. In addition, the Financier Trust economically holds ownership of the group, whereby the Financier Trust can exert its influence over the commercial decisions of the group. The Company undertakes the primary activities and the Financier Trust provides the source of funds to achieve the common objective of the group.

Distribution reserve
The Distribution reserve records the cumulative amounts distributed by the ACS & AJS Financier Trust to its unitholders.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Business combinations (continued)

Transaction costs
Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred, except if related to the issue of debt or equity securities.

(ii) Special purpose entities

A special purpose entity (SPE) is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

(iii) Investments in associates and jointly controlled entities (equity accounted investees)

The Group's interests in equity-accounted investees comprise equity or receivables interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(iv) Joint operations - proportionate consolidation

The Group applies the proportionate consolidation to jointly controlled entities, where the statement of financial position of the Group includes its share of the assets that are controlled jointly and its share of the liabilities for it is jointly responsible. The statement of comprehensive income of the Group also includes its share of the income and expenses of the joint arrangement.

(b) Financial instruments

(i) Recognition and initial measurement

The Group initially recognises trade and other receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement

Financial assets – Policy from 1 July 2018

On initial recognition, a financial asset is classified and measured at amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 July 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 July 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 July 2018

Financial assets at FVTPL
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets – Policy applicable before 1 July 2018

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or designated as at FVTPL.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 July 2018

Financial assets at FVTPL
Measured as fair value and changes therin, including any interest or dividend income, were recognised in profit or loss.

Financial assets at amortised cost and Loans and receivables
Measured at amortised cost using the effective interest method.

Financial liabilities – Classification, subsequent measurement and gain and losses
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss in derecognition is also recognised in profit or loss.

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

The following table and the accompanying notes below explain the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets and liabilities as at 1 July 2018. There was no impact on the Group's financial assets and liabilities.

	AASB 139 classification	AASB 9 classification	AASB 139 carrying amount	AASB 9 carrying amount
Financial Assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	24,422,501	24,422,501
Trade and other receivables	Loans and receivables	Amortised cost	7,773,883	7,773,883
Investments	Available-for-sales	Amortised cost	433,372,683	433,372,683
Financial Liabilities				
Trade and other payables	Other financial liabilities	Other financial liabilities	8,240,307	8,240,307
Loans and borrowings	Other financial liabilities	Other financial liabilities	378,772,192	378,772,192
Distribution payable	Other financial liabilities	Other financial liabilities	1,606,386	1,606,386

(iii) Derecognition

Financial assets
The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group 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.

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

(v) Issued capital

Ordinary shares and Trust units

Ordinary shares and Trust units are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and Trust units are recognised as a deduction from equity, net of any tax effects.

Dividends and Trust distributions

Dividends and Trust distributions are recognised as a liability in the period in which they are declared.

(vi) Equity plan arrangements

Equity plan arrangements are accounted for as equity instruments on the basis that the equity instruments are issued at a fair value issuance price and the terms of consideration paid or payable are set on an arm's length basis. The fair value of equity instruments that do not have a quoted market price in an active market is based on valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

(c) Equipment

(i) Recognition and measurement

Items of equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line and/or diminishing basis over the estimated useful lives of each part of an item of equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

	2019	2018
• Furniture, fixtures and fittings	2-8 years	2-8 years
• Computer equipment	2-4 years	2-4 years
• Computer software	2-4 years	2-4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3 Significant accounting policies (continued)

(d) Intangible assets

Acquisition costs

Intangible assets comprising of portfolio acquisition costs are initially recognised at cost and subsequently measured at amortised cost. The useful life of intangible assets is treated as the period over which economic benefits are received by the Group.

An intangible asset is impaired when its carrying amount exceeds its recoverable amount. Management assess where there are any indications that intangible assets are impaired at the end of each reporting period. All impairment losses are included in the carrying value of intangible assets at each reporting period.

(e) Impairment

(i) Non-derivative financial assets – Policy applicable 1 July 2018

Financial instruments

The Group recognises loss allowances for expected credit losses ("ECL's") on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is long overdue.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

3 Significant accounting policies (continued)

(e) Impairment (continued)

(i) Non-derivative financial assets (continued)

Policy applicable before 1 July 2018

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in profit or loss. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3 Significant accounting policies (continued)

(f) Inventories

(i) Development projects

Cost includes the costs of acquisition, development, borrowings and all other costs directly related to specific projects, held for the purpose of resale. Borrowing and holding costs such as rates and taxes incurred after the completion of development and construction are expensed

(g) Assets classified as held for sale

Assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(h) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3 Significant accounting policies (continued)

(j) Revenue

The Group has applied AASB 15 from 1 July 2018. Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

(i) Services

The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payments terms, and the related revenue recognition policies.

Under AASB 15, there was no change in the Group's recognition of services revenue as the fees are based on net assets under management at the end of the month and any uncertainty related to the fees is resolved at the end of the same month. Therefore, management fee revenues continue to be recognised when invoiced, which corresponds directly with the delivery of performance obligations by the Group.

If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone selling prices. Invoices for services are issued on a monthly basis and are usually payable within 30 days.

Prior to 1 July 2018, revenue was recognised in proportion to the state of completion of the transaction at the reporting date. The stage of completion was assessed based on surveys of work performed

Revenue from services rendered consists of fees for loan management services (interest spreads), fees for transaction structuring, advisory services, commitment fees, arranger fees, mandate fees, exit fees and establishment fees on provision of investment loans. Revenue also includes fund manager fees where the Group acts as the fund manager of funds.

Revenue from services is recognised in profit or loss when the services are provided or on completion of the underlying transaction. In respect of commitment fees and establishment fees, revenue is recognised on a time proportionate basis over the term of the investment loans. Revenue from the rendering of fund manager services is recognised upon delivery of the services to the funds.

(ii) Development profits

Revenue from the sale of residences and apartments is recognised when the significant risks, rewards of ownership and effective control have been transferred to the buyer. This has been determined to typically occur on settlement.

(iii) Distributions

Distributions from investments in projects is recorded as revenue on receipt of the distributed funds.

3 Significant accounting policies (continued)

(k) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

(l) Finance income and finance costs

Finance income comprises changes in the fair value of financial assets through profit or loss and interest income on mortgage assets, investment loans, term deposits and bank balances. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and changes in the fair value of financial assets through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

(m) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3 Significant accounting policies (continued)

(m) Income tax (continued)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised.

(i) Tax consolidation

The aggregated entities that form part of the Qualitas Property Partners Group, outlined in Note 16 have formed a tax-consolidated group, with the exception of the following entities as at 30 June 2019:

QEP Bondi Junction Unit Trust No. 2	QEP 499 Mezz Co Pty Ltd
QEP Bondi Junction Pty Ltd	QEP 499 Mezz Co Unit Trust
QEP Bondi Junction Unit Trust	QEP 499 Pref Co Pty Ltd
Hollywood Apartments Pty Ltd	QEP 499 Pref Co Unit Trust
Hollywood Apartments Unit Trust	Fawkner Centre Residence Pty Ltd
QEP Fawkner Pty Ltd	Fawkner Centre Residences Unit Trust
QEP Fawkner Unit Trust	QEP Spire Apartments Unit Trust
QEP 499 Holdings Pty Ltd	3-5 Carrington Road Pty Ltd
QEP 499 Holding Unit Trust	3-5 Carrington Road Unit Trust

As a consequence of forming a tax-consolidated group, all members of this group are taxed as a single entity. The head entity within the tax-consolidated group is Qualitas Property Partners Pty Ltd.

No tax-consolidated groups have been formed in the ACS & AJS Real Estate and Qualitas Capital Partner Groups as at 30 June 2018. A tax-consolidated group was created in the Qualitas Investments Group as at 30 June 2018 with QFM Hold Co Pty Ltd as the head entity.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘separate taxpayer within group’ approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax consolidated group and are recognised by the company as amounts payable (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the head entity as an equity contribution or distribution

The head entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

3 Significant accounting policies (continued)

(n) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(o) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 July 2019 and earlier application is permitted; however the Group has not early adopted the new or amended standards in preparing these financial statements.

The following standard is not expected to have a material impact on the Group's financial statements in the period of initial application.

AASB 16 Leases

AASB 16 replaces existing leases guidance, including *AASB 17 Leases, AASB Interpretation (AI) 4 Determining whether an Arrangement contains a Lease, AI 115 Operating leases – Incentives* and *AI 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The standard is effective for annual periods beginning on or after 1 January 2019. The Group expects to adopt the standard for its annual period beginning 1 July 2019.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 July 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of office space.

The nature of expenses related to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

No significant impacts is expected for the Group's finance leases.

(p) Comparatives

The accounting policies have been consistently applied to all reporting periods presented.

4 Income from the provision of financial services

	2019	2018
	$	$
Arrangement, establishment and mandate fees	3,761,754	8,543,883
Management fees and spreads	12,507,069	9,057,496
Exit fees	336,255	324,284
Distributions from projects	2,927,313	504,016
Portfolio and ancillary fees	1,679,463	1,466,357
	21,211,854	19,896,036

5. Other income

Digital Harbour CEO fees	180,000	180,000
Rental income	598,994	-
Sundry income	759,821	-
	1,538,815	180,000

6. Interest income and interest expense

Interest income

Interest income on project loans, mortgages, bank balances and term deposits:		
- Arch Finance	21,262,079	18,723,082
- Debt Fund	-	3,168,226
- Qualitas Group	5,330,257	4,166,563
- Interest on related party loan	-	68,179
Total interest income	26,592,336	26,126,050

Interest expense

Interest expense on interest bearing notes (Arch Finance)	(15,567,535)	(12,747,209)
Interest expense on investor loan – external	(83,925)	(6,218)
Interest expense on Marrickville	(999,212)	-
Interest expense on debt fund	-	(2,749,853)
Other	(280,058)	(243,869)
Total interest expense	(16,930,730)	(15,747,149)
Net interest income recognised in profit or loss	9,661,606	10,378,901

7. Income tax

	2019	2018
	$	$
(a) Income tax expense		
Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit for the period	4,093,427	58,778,254
Total income tax expense	1,732,735	3,041,036
Profit excluding income tax	5,826,162	61,819,290
Income tax using the Group's domestic tax rate of 30% (2018: 30%)	1,747,848	18,545,787
Non-assessable income to group	(44,052)	(15,753,659)
Non-deductible expenses	34,427	32,329
Tax losses (utilised and temporary differences recognised not previously brought to account and other items)/not brought to account	(5,488)	216,579
	1,732,735	3,041,306

8. Cash and cash equivalents

Cash on hand	374	570
Cash at bank	19,396,602	24,421,931
Cash and cash equivalents	19,396,976	24,422,501

Cash at bank represents cash held by Qualitas Property Partners Pty Ltd and cash held in project or fund bank accounts, where those entities have been consolidated in the Qualitas Group accounts in accordance with Australian Accounting Standards. Cash at bank held in project and fund bank accounts at 30 June 2019 is $1,305,769 (2018: $3,620,863) which can only be used in relation to the projects.

9. Trade and other receivables

Current		
Trade receivables	2,652,557	3,640,553
Accrued income – Arch Finance Warehouse Trust	1,656,350	1,744,338
Accrued income – Qualitas Group	1,594,575	1,195,482
Recoverable costs – other	1,693,927	-
Sundry receivables	2,762,124	172,386
	10,359,533	6,752,759
Non-current		
Sundry receivables	1,454,802	1,021,124
	1,454,802	1,021,124

10. Inventories

Current		
Development and capitalised project costs	22,685,904	7,266,529
	22,685,904	7,266,529

11.	Investments	$	$
	Current investments		
	Investments, at cost and fair value:		
	WRAP Apartments Holding Trust	-	60
	Qualitas Food Infrastructure Fund	-	13,055,436
	Mortgages, at amortised cost (Arch Finance & Debt Fund)	106,306,927	123,346,509
	Term deposits	392,334	726,965
	Investment loans – projects:		
	Spire Apartments (equity accounted loan)	-	17,667,351
	Spire project equity accounted profit/(loss)	2,252,611	8,270,257
	Qualitas Food Infrastructure Fund	-	25,000,000
		108,951,872	188,066,578
	Non-current investments		
	Investments, at cost and fair value:		
	Digital Harbour Investments	1,271,974	178,900
	Qualitas Real Estate Opportunity Fund	8,876,587	5,518,099
	Qualitas Construction Debt Fund	495,517	217,321
	Qualitas Food Infrastructure Fund	1,244,967	1,000,000
	Luxemburg GP	20,585	-
	Qualitas Real Estate Income Fund	10,281,250	-
	Mortgages, at amortised cost (Arch Finance & Debt Fund)	291,388,293	232,785,743
	Investment loans – projects:		
	- Toga	-	81,818
	- Crown	-	500,000
	- Hengyi	-	306,129
	- Eureka	461,020	-
	- Stellar Elsternwick	237,500	-
	- Techin	110,000	-
	- Lehunte	250,000	-
	- Chippendale	200,000	-
	- Whitford	334,567	359,106
	- Marrickville (equity accounted loan)	-	2,932,138
	- Moda	214,000	289,992
	- Caydon Alphington	200,000	500,000
	- Geocon Bradden	400,000	400,000
	- GSA	-	120,000
	- Other	-	116,859
		315,986,260	245,306,105

12.	**Trade and other payables**	**2019**	**2018**
		$	**$**
	Current		
	Trade payables	93,700	307,376
	Other payables:		
	- Interest payable on Notes – Arch Finance	1,591,105	1,321,000
	- Amounts received in advance	15,387	3,122,437
	- Sundry payables	5,253,354	2,542,906
	GST payable	105,229	946,588
		7,058,775	8,240,307
13.	**Deferred income**		
	Prepaid interest - Arch Finance	2,068,388	2,625,824
	Prepaid management fees	1,714,733	1,895,098
		3,783,121	4,520,922
14.	**Employee benefits**		
	Current		
	Employee entitlements	2,747,050	1,569,797
		2,747,050	1,569,797
	Non-current		
	Employee entitlements	203,598	265,944
		203,598	265,944
15.	**Loans and borrowings**		
	Current liabilities		
	Interest bearing Notes – bank & other financial institutions	100,416,994	116,565,654
	Loan – Class C2 and C1b Note re-financing	5,103,904	3,809,853
	Loan – Marrickville No.2	10,545,001	-
	Loan – PGF	9,295,000	
	Loan payable to related party – QFIF Tranche	-	29,000,000
	Loan payable to related party – QIT	215,227	-
	Financiers – QIT - Interest	3,184	-
	Loan payable to related party – QUMF	4,183	-
	Loan payable to related party – QREIF Tranche	5,000,000	-
	Financier Loan – QREIF Tranche Interest	41,096	-
	Fawkner Residential Stock Loan	-	2,217,966
	QREIF Manager Loan	-	-
		130,624,589	151,593,473
	Non-current liabilities		
	Interest bearing Notes – bank & other financial institutions	275,243,933	219,988,572
	Loan – Class C2 and C1b Note re-financing	13,989,848	7,190,147
	QREIF Manager Loan	8,778,052	-
		298,011,833	227,178,719

16. Group entities

At the reporting date, the aggregation of the Qualitas Group comprised four consolidated groups including the following entities:

ACS & AJS Real Estate Group

		2019	2018
Trustee	*Trust Entity*		
Qualitas Pty Ltd	ACS & AJS Real Estate Financier Unit Trust	✓	✓
ACS Qualitas Management Pty Ltd	ACS Qualitas Management Trust	✓	✓

Qualitas Capital Partners Group

		2019	2018
Trustee	*Trust Entity*		
Qualitas Capital Partners Pty Ltd	Qualitas Capital Partners Unit Trust	✓	✓

Qualitas Investments Group

		2019	2018
Parent entity	*Trust Entity*		
Qualitas Investments Pty Ltd	Qualitas Investments Unit Trust	✓	✓
Controlled Trustee Entities and Trusts			
Trustee	*Trust Entity*		
Treasury Finance Pty Ltd	Treasury Finance Unit Trust	✓	✓
Arch Finance Pty Ltd	Arch Finance Unit Trust	✓	✓
	Arch Finance Warehouse Trust	✓	✓
QEP DHH Investor B Pty Ltd	QEP DHH Investor B Unit Trust	✓	✓
Controlled entities			
QFM Hold Co Pty Ltd		✓	✓
Qualitas Funds Management Pty Ltd		✓	✓
Qualitas REO Fund Manager Pty Ltd		✓	✓
QREO Nominee Pty Ltd		✓	✓
Peer Estate Pty Ltd		✓	✓
QREO Fixed Pty Ltd		✓	✓
QREO Fixed A Pty Ltd		✓	✓
QREO Growth Pty Ltd		✓	✓
QREO Growth A Pty Ltd		✓	✓
Peer Estate Administrators Pty Ltd		✓	✓
Peer Estate Investor Pty Ltd		✓	✓
Peer Estate IP Pty Ltd		✓	✓
Peer Estate Finance Pty Ltd		✓	✓
Peer Estate Mortgages Pty Ltd		✓	✓
Peer Estate Pool Pty Ltd		✓	✓
QCD Fund Manager Pty Ltd		✓	✓
QCD Fund Pty Ltd		✓	✓
QSD Fund Feeders Pty Ltd		✓	✓
QSD Fund Manager Pty Ltd		✓	✓
QSD Fund Pty Ltd		✓	✓
Qualitas Discretionary Funds Management Pty Ltd		✓	✓
QFI Fund Manager Pty Ltd		✓	✓
QFI Fund Pty Ltd		✓	✓
QFI Property Fund Pty Ltd		✓	✓
QLA Manager Pty Ltd		✓	✓

16. Group Entities (continued)		2019	2018
Qualitas Investments Group (continued)			
QRI Manager Pty Ltd		✓	✓
QRI Fund Services Pty Ltd		✓	
QUMF Fund Manager Pty Ltd		✓	
QMD Fund Manager Pty Ltd		✓	
QLDF Manager Pty Ltd		✓	
QSH No.1 Manager Pty Ltd		✓	

Qualitas Property Partners Group

	2019	2018
Parent entity		
Qualitas Property Partners Pty Ltd	✓	✓
Controlled Entities		
3 Carrington Road Pty Ltd & 3 Myrtle St Pty Ltd	✓	
Digital Harbour (Holdings) Pty Ltd	✓	✓
Digital Harbour Investments Pty Ltd ATF Digital Harbour Investments Trust	✓	✓
Fawkner Centre Residences Pty Ltd	✓	✓
Fawkner Centre Residences Unit Trust	✓	✓
Hollywood Apartments Pty Ltd	✓	✓
Hollywood Apartments Unit Trust	✓	✓
One point piper Pty Ltd ATF One Point Piper Unit Trust	✓	✓
Parliament Square Hobart Landowner Pty Ltd ATF Parliament Square Hobart Trust	✓	✓
QEP (Bendigo) 1 Pty Ltd	✓	✓
QEP (Bendigo) 1 Unit Trust	✓	✓
QEP (Bendigo) 2 Pty Ltd	✓	✓
QEP (Bendigo) 2 Unit Trust	✓	✓
QEP (Wrap) Pty Ltd	✓	✓
QEP 499 Holdings Pty Ltd	✓	✓
QEP 499 Holdings Unit Trust	✓	✓
QEP 499 Mezz Co Pty Ltd	✓	✓
QEP 499 Mezz Co Unit Trust	✓	✓
QEP 499 Pref Co Pty Ltd	✓	✓
QEP 499 Pref Co Unit Trust	✓	✓
QEP Bondi Junction Investor Pty Ltd	✓	✓
QEP Bondi Junction Investor Unit Trust	✓	✓
QEP Bondi Junction Manager Pty Ltd	✓	✓
QEP Bondi Junction Pty Ltd	✓	✓
QEP Bondi Junction Unit Trust	✓	✓
QEP Bondi Junction Unit Trust No. 2	✓	✓
QEP Bouverie St Investor Unit Trust	✓	✓
QEP Bouverie St. Investor Pty Ltd	✓	✓
QEP Bouverie St. Manager Pty Ltd	✓	✓
QEP Bouverie St. Pty Ltd	✓	✓
QEP Bouverie St. Unit Trust	✓	✓
QEP Development Services (Bondi) Pty Ltd	✓	✓
QEP Development Services Pty Ltd	✓	✓
QEP DHH Pty Ltd	✓	✓

16. Group Entities (continued)	2019	2018
Qualitas Property Partners Group (continued)		
QEP DHH Unit Trust	✓	✓
QEP Fawkner Investor Pty Ltd	✓	✓
QEP Fawkner Manager Pty Ltd	✓	✓
QEP Fawkner Pty Ltd	✓	✓
QEP Fawkner Unit Trust	✓	✓
QEP First Mortgage Enhancement Pty Ltd	✓	✓
QEP First Mortgage Enhancement Unit Trust	✓	✓
QEP Hobart Pty Ltd	✓	✓
QEP Hobart Unit Trust	✓	✓
QEP Kensington Investor Pty Ltd	✓	✓
QEP Kensington Manager Pty Ltd	✓	✓
QEP Kingscliff Pty Ltd	✓	✓
QEP Marrickville No.2 Pty Ltd	✓	✓
QEP Marrickville Pty Ltd	✓	✓
QEP Marrickville Unit Trust	✓	✓
QEP Marrickville Unit Trust No. 2	✓	✓
QEP MP Pty Ltd	✓	✓
QEP MP Unit Trust	✓	✓
QEP Otway Pty Ltd	✓	✓
QEP Otway Unit Trust	✓	✓
QEP Panorama Pty Ltd	✓	✓
QEP Point Piper Pty Ltd	✓	✓
QEP Point Piper Unit Trust	✓	✓
QEP Spire Apartments Financier Pty Ltd	✓	✓
QEP Spire Apartments Investor Pty Ltd	✓	✓
QEP Spire Apartments Investor Unit Trust	✓	✓
QEP Spire Apartments Manager Pty Ltd	✓	✓
QEP Spire Apartments Pty Ltd	✓	✓
QEP Spire Apartments Unit Trust	✓	✓
QEP SSC Financier Pty Ltd	✓	✓
QEP Summerhill Pty Ltd	✓	✓
QEP Summerhill Unit Trust	✓	✓
QFI Fund Bridge Pty Ltd	✓	✓
QMP No. 3 Pty Ltd	✓	✓
QPP (Unihill) Pty Ltd	✓	✓
QPP (Wrap) Pty Ltd	✓	✓
QPP (Wyndham) Pty Ltd	✓	✓
QPP Evo Pty Ltd	✓	✓
QPP University Hill Unit Trust	✓	✓
QREF Mezzanine Debt No. 11 Pty Ltd	✓	✓
QREF Mezzanine Debt No. 14 Pty Ltd	✓	✓
QREF Mezzanine Debt No. 15 Pty Ltd	✓	✓
QREF Mezzanine Debt No. 2 Pty Ltd	✓	✓
QREF Mezzanine Debt No. 3 Pty Ltd	✓	✓
QREF Mezzanine Debt No. 4 Pty Ltd	✓	✓
QREF Mezzanine Debt No. 5 Pty Ltd	✓	✓
QREF Mezzanine Debt No. 6 Pty Ltd	✓	✓
QREF Mezzanine Debt No. 8 Pty Ltd	✓	✓
QREF Mezzanine Debt No.16 Pty Ltd	✓	✓

16. Group Entities (continued)	2019	2018
Qualitas Property Partners Group (continued)		
QREF Mezzanine Debt Pty Ltd	✓	✓
QREF Senior Debt No. 10 Pty Ltd	✓	✓
QREF Senior Debt No. 7 Pty Ltd	✓	✓
QREF Senior Debt No. 9 Pty Ltd	✓	✓
QREF Senior Debt No.12 Pty Ltd	✓	✓
QREF Senior Debt No.17 Pty Ltd	✓	✓
QREF Senior Debt No.18 Pty Ltd	✓	✓
QREF Senior Debt No.19 Pty Ltd	✓	✓
QREF Senior Debt No.20 Pty Ltd	✓	✓
QREF Senior Debt No.21 Pty Ltd	✓	✓
QREF Senior Debt No.22 Pty Ltd	✓	✓
QREF Senior Debt No.23 Pty Ltd	✓	✓
QREF Senior Debt No.24 Pty Ltd	✓	✓
QREF Senior Debt No.25 Pty Ltd	✓	✓
QREF Senior Debt No.26 Pty Ltd	✓	✓
QREF Senior Debt No.27 Pty Ltd	✓	✓
QREF Senior Debt No.29 Pty Ltd	✓	
QRP Debt Securities Pty Ltd	✓	✓
QRP Equity Securities Pty Ltd	✓	✓
QRP Equity Securities Unit Trust	✓	✓
Qualitas Administrators Pty Ltd	✓	✓
Qualitas Advisory Pty Ltd	✓	✓
Qualitas CDF investor Pty Ltd	✓	✓
Qualitas Custodian Pty Ltd	✓	✓
Qualitas Equity Partners Pty Ltd	✓	✓
Qualitas Equity Partners Unit Trust	✓	✓
Qualitas Funds Management Pty Ltd	✓	✓
Qualitas Management Services Pty Ltd	✓	✓
Qualitas Mezzanine Partners (Elan) Pty Ltd	✓	✓
Qualitas Mezzanine Partners No 2 Pty Ltd	✓	✓
Qualitas Mezzanine Partners Pty Ltd	✓	✓
Qualitas Mezzanine Partners Unit Trust	✓	✓
Qualitas Mezzanine Partners Unit Trust No.2	✓	✓
Qualitas Opportunity Fund No 2 Pty Ltd	✓	✓
Qualitas Opportunity Fund No 2 Unit Trust	✓	✓
Qualitas Opportunity Fund No 3 Pty Ltd	✓	✓
Qualitas Opportunity Fund No 3 Unit Trust	✓	✓
Qualitas Property Partners Pty Ltd	✓	✓
Qualitas Real Estate Finance Pty Ltd	✓	✓
Qualitas Real Estate Finance Trust	✓	✓
Qualitas REIT Partners Pty Ltd	✓	✓
Qualitas REIT Partners Unit Trust	✓	✓
Qualitas Securities Pty Ltd	✓	✓
Unihill Projects Pty Ltd	✓	✓
QPP Pagewood Finance Pty Ltd	✓	
QPP Mt Eliza Pty Ltd	✓	

17. Non-controlling interests

Non-controlling interests represents amounts recognised in the Qualitas Group financial statements that are attributable to external parties. Non-controlling interests arise upon consolidation of 100% of the controlled entities' net assets and net profit or loss for the reporting period, but where the Qualitas Group does not hold a 100% interest in the underlying entities.

Net Assets as at 30 June 2019

	Net assets Attributable to controlling interest (Qualitas Group)	Net assets Attributable to non-controlling interest (external parties)	Total Net Assets recognised on the Statement of Financial Position
	$	$	$
QEP Bondi Junction Unit Trust	33,084	109,400	142,484
QEP Bondi Junction Unit Trust No.2	57,294	152,539	209,834
Hollywood Apartments Unit Trust	(55,136)	55,544	407
QEP Spire Apartments Unit Trust	730,433	7,825,154	8,555,587
QEP Fawkner Unit Trust	(29,303)	569,322	540,019
QEP 499 Mezz Co Unit Trust	1,000	5,539	6,539
QEP 499 Pref Co Unit Trust	(563,844)	563,844	-
Total prior to consolidation adjustments	173,528	9,281,342	9,454,870
Adjustments:			
- Consolidation adjustments	1,973,933	(3,258,102)	(1,284,179)
Total after consolidation adjustments	2,147,461	6,023,240	8,170,691

Net Assets as at 30 June 2018

	Net assets Attributable to controlling interest (Qualitas Group)	Net assets Attributable to non-controlling interest (external parties)	Total Net Assets recognised on the Statement of Financial Position
	$	$	$
QEP Bondi Junction Unit Trust	60,953	203,349	264,302
QEP Bondi Junction Unit Trust No.2	83,149	239,034	322,183
Hollywood Apartments Unit Trust	(55,136)	55,542	406
QEP Spire Apartments Unit Trust	2,694,102	28,854,647	31,548,749
QEP Fawkner Unit Trust	(241,197)	(604,614)	(845,811)
QEP 499 Pref Co Unit Trust	(438,889)	1,256,122	817,233
Fawkner Centre Residences Unit Trust	532,091	8,093,177	8,625,268
Total prior to consolidation adjustments	2,635,073	38,097,257	40,732,330
Adjustments:			
- Consolidation adjustments	(1,129,150)	(5,720,330)	(6,849,480)
Total after consolidation adjustments	1,505,923	32,376,927	33,882,850

17. Non-controlling interests (continued)

Net Profit for the year ended 30 June 2019

	Net Profit/(Loss) Attributable to controlling interest (Qualitas Group)	Net Profit/(Loss) Attributable to non-controlling interest (external parties)	Total Net Profit/(Loss) recognised in the Statement of Profit or Loss
	$	$	$
QEP Bondi Junction Unit Trust	(28,160)	(93,868)	(122,028)
QEP Bondi Junction Unit Trust No.2	(25,852)	(86,492)	(112,344)
QEP Spire Apartments Unit Trust	147,345	1,578,003	1,725,348
QEP Fawkner Unit Trust	211,893	1,173,936	1,385,829
QEP Fawkner Pref Co Unit Trust	8,860	49,088	57,948
QEP 499 Mezz Co Unit Trust	1,000	5,539	6,539
Fawkner Centre Residences Unit Trust	(72,940)	(881,148)	(954,088)
Total prior to consolidation adjustments	242,146	1,745,058	1,987,204
Adjustments:			
- Consolidation adjustments	(394,002)	(1,428,255)	(1,822,257)
Total after consolidation adjustments	(151,856)	316,803	164,947

Net Profit/(Loss) for the year ended 30 June 2018

	Net Profit/(Loss) Attributable to controlling interest (Qualitas Group)	Net Profit/(Loss) Attributable to non-controlling interest (external parties)	Total Net Profit/(Loss) recognised in the Statement of Profit or Loss
	$	$	$
QEP Bondi Junction Unit Trust	24	80	104
QEP Bondi Junction Unit Trust No.2	(350)	(1,171)	(1,521)
Hollywood Apartments Unit Trust	(161,930)	(540,754)	(702,684)
QEP Spire Apartments Unit Trust	1,386,994	14,854,149	16,241,143
QEP Fawkner Unit Trust	3,406,296	18,871,635	22,277,931
QEP 499 Mezz Co Unit Trust	75,161	416,408	491,569
QEP 499 Pref Co Unit Trust	5,201,979	28,820,120	34,022,099
Fawkner Centre Residences Unit Trust	1,282,608	15,494,475	16,777,083
QREPDF Private Debt Fund S1	144,729	2,749,852	2,894,581
Total prior to consolidation adjustments	11,335,511	80,664,794	92,000,305
Adjustments:			
- Consolidation adjustments	(13,975,571)	(33,405,218)	(47,380,789)
Total after consolidation adjustments	(2,640,060)	47,259,576	44,619,516

Refer to Note 3(a)(i) for the accounting treatment of non-controlling interests.

QUALITAS

18. Equity accounted entities

The Qualitas Group holds investments in associates and jointly controlled entities as follows:

Entity name:	2019 % held	2018 % held
Spire Apartments Unit Trust	50%	50%
Digital Harbour Investments Pty Ltd	38.6%	38.6%
BBDH SF Investor B Pty Ltd	48.76%	48.76%
WRAP Apartments Holding Pty Ltd	37.5%	37.5%
WRAP Apartments Pty Ltd	37.5%	37.5%
Applemead Pty Ltd	18.75%	18.75%
3 Carrington Road Unit Trust	100%	49.9%
3 Carrington Road Pty Ltd	100%	49.9%

19. Cash Flow Information

Reconciliation of cash flows from operating activities with Profit after

	$	$
Net profit	4,093,427	58,778,254
Adjustments for:		
- Depreciation and amortisation	764,121	146,351
- Share of (profit)/loss of equity accounted investments	(13,556)	(11,765,972)
Operating profit before changes in working capital and provisions	**4,843,992**	**47,158,633**
Net (increase)/decrease in trade and other receivables	(2,469,489)	14,604,589
Net (increase)/decrease in inventories	(15,419,375)	187,775,463
Net (increase)/decrease in prepayments	(101,176)	394,781
Net (decrease) in trade and other payables	(4,261,400)	(320,373)
Net increase/(decrease) in deferred tax asset	912,202	(161,470)
Net (decrease) in deferred income	(737,801)	(145,940)
Net increase in provisions and employee benefits	1,114,907	448,601
Net (decrease)/increase in tax payable	(1,862,234)	7,395
Net decrease in investment loans – classified as operating activity	207,000	(68,458,576)
Net cash (used)/generated in operating activities	**(17,773,374)**	**181,303,103**

20. Auditors' remuneration

	2019 $	2018 $
Audit services		
KPMG Australia:		
- Audit of financial statements – Qualitas Group	60,000	60,000
- Audit of financial statements – Qualitas Securities Pty Ltd	5,000	5,000
- Audit of financial statements – Arch Finance	47,000	47,000
- Audit of financial statements – Debt Fund Series 1	-	12,000
	112,000	124,000
Other assurance services		
- AFSL	5,000	5,000
- Other	-	21,000
- Compliance audit GS007	30,000	42,500
	35,000	68,500
Other services		
KPMG Australia:		
- Compilation of financial statements	35,000	41,000
- Taxation services	116,481	529,918
- Other services	255,017	372,737
	406,498	943,655
	553,498	1,136,155

21. Matters subsequent to the end of the financial year

The following material transactions or events took place subsequent to 30 June 2019 and up to the date of this report:

- QRI Manager Pty Ltd announced a 1-for-1 Accelerated Non-Renounceable Entitlement Offer in relation to QREIF, raising approximately $94.7m in total. This amount includes the proceeds of the Wholesale and Early Retail Entitlement Offers (approx. $40.1m – settled on 26 September 2019); the Retail Entitlement Offer (approx. $19.4m); and Shortfall Offer (approx. $35.2m), which both settled on 17 October 2019.
- Launch of the Qualitas Real Estate Opportunity Fund II. The Fund closed on 5 September 2019, having raised $75.2m

Qualitas Group Aggregation

Directors' Declaration

QUALITAS

1 In the opinion of the directors of the Qualitas Property Pty Ltd (the Company) and its controlled and related entities (the Group):

(a) The Qualitas Property Group is not a reporting entity;

(b) The financial statements and Notes, set out on pages 11 to 43:

(i) present fairly the financial position of the Qualitas Group as at 30 June 2019 and its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Notes 2; and

(ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Notes 1 to 3; and

(c) There are reasonable grounds to believe that the Qualitas Group will be able to pay its debts as and when they become due and payable;

2 In respect of the year ended 30 June 2019, the Qualitas Group has:

(a) kept its accounting records as to correctly record and explain its transactions and financial position;

(b) kept its accounting records so that financial statements of the Qualitas Group may be presented fairly in all material respects; and

(c) kept its accounting records so that the financial statements of the Qualitas Group can be conveniently and properly audited.

Signed in accordance with a resolution of the directors of Qualitas Property Partners Pty Ltd, on behalf of the Qualitas Group.

Andrew Schwartz
Managing Director
Melbourne, 28 November 2019

Independent Auditor's Report

To the members of Qualitas Property Partners Pty Ltd

Opinion

We have audited the ***Financial Report*** of the *Qualitas Group (the Group).*

In our opinion, the accompanying Financial Report presents fairly, in all material respects, the financial position of the ***Group*** as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with *Australian Accounting Standards* to the extent described in Notes 1 to 3 to the financial statements for the purpose of meeting the needs of the members.

The ***Financial Report*** comprises:

- Aggregated statement of financial position as at 30 June 2019.
- Aggregated statement of profit or loss and other comprehensive income, Aggregated statement of changes in equity, and Aggregated statement of cash flows for the year then ended.
- Notes including a summary of significant accounting policies.

*The **Group*** consists of Qualitas Property Partners Pty Ltd (the Company) and the entities it controlled at the year end or from time to time during the financial year including the aggregation of the group entities and their controlled entities set out in Note 16 to the financial statements.

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 Group in accordance with 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.

Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to Notes 1 to 3 to the Financial Report, which describe the basis of preparation.

The Financial Report has been prepared to assist the members of Qualitas Property Partners Pty Ltd for the purpose of meeting the needs of the members.

As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the members of Qualitas Property Partners Pty Ltd and should not be used by or distributed to parties other than the members of Qualitas Property Partners Pty Ltd. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than the members of Qualitas Property Partners Pty Ltd or for any other purpose than that for which it was prepared.

Emphasis of matter – Departure from the application of Australian Accounting Standards in preparing the consolidated financial statements

Without further modifying our opinion expressed above, attention is drawn to the following matter. As disclosed in Note 2(b) the Qualitas Group aggregated financial statements depart from the measurement and recognition requirements of certain accounting standards.

Other Information

Other Information is financial and non-financial information in Qualitas Property Partners Pty Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors 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 are responsible for:

- the preparation and fair presentation of the Financial Report is appropriate to meet the needs of the members and have determined that the basis of preparation described in Notes 1 to 3 are appropriate for the purpose of meeting the needs of the members;
- implementing necessary internal control to enable the preparation of a Financial Report that is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern. 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 Group and Company 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 this 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/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Melbourne
28 November 2019

Qualitas Group Aggregation

Annual Special Purpose Financial Report

For the year ended 30 June 2020

Qualitas Group Aggregation

Contents

30 June 2020

This special purpose financial report covers the entities that make up the Qualitas group ("Qualitas Group") for the financial year ended 30 June 2020.

The Qualitas Group's registered office is:
Level 18, 530 Collins Street
Melbourne, VIC 3000

The Qualitas Group's principal place of business is:
Level 38, 120 Collins Street
Melbourne, VIC 3000

Qualitas Group Aggregation

Directors' Report

As at 30 June 2020

QUALITAS

The directors of Qualitas Property Partners Pty Ltd (the "Company") present their report with the financial statements of the entities that make up the Qualitas Group (referred to hereafter as the "Qualitas Group"), for the financial year ended 30 June 2020, and the auditor's report thereon.

PRINCIPAL ACTIVITIES

The principal activities of the Qualitas Group during the financial year were the provision of financial services and investment products to sophisticated investors in connection with Australian real estate.

The provision of financial services includes the arranging, provision and ongoing management of senior or mezzanine mortgages and loans to approved borrowers, as well as arranging and provision of preferred equity or equity facilities, to facilitate real estate acquisition, development, construction or investment by approved third parties. The provision of investment products includes the arranging and ongoing management of both proprietary and third party capital to provide the funding to the aforementioned facilities.

These activities were performed in accordance with the Qualitas Group Australian Financial Services Licence ("AFSL") No. 342242, which was granted by the Australian Securities and Investments Commission ("ASIC") on 10 March 2010. The Qualitas Group's AFSL is held by Qualitas Securities Pty Ltd, an entity that is wholly owned by Qualitas Property Partners Pty Ltd.

The Qualitas Group contains the following operating segments:

Segment	Role(s)
Qualitas Corporate Group	Provides corporate services to the business including group strategy, capital management, risk management, capital raising, investor relationship management, trustee, funds management, finance, accounting, taxation, regulatory compliance, investment administration and business operation services.
Qualitas Real Estate Investments	Specialist arranger and provider of preferred equity or equity investment facilities to real estate developers, including the provision of project management and joint venture management services to approved third parties for large-scale real estate acquisition or development as well as providing senior and mezzanine lending facilities through limited or non-recourse loans provided to borrowers for real estate acquisition, development, construction or investment purposes.
Arch Finance	Specialist in providing senior lending facilities and associated services through first mortgages registered over borrowers' real estate assets, where the lending criteria are established by the governing documents of the Arch Finance Warehouse Trust.
Peer Estate	Peer to peer platform for real estate debt, providing an online debt market through which investors can participate in loans secured over Australian real estate. The online business allows real estate borrowers and investors to engage with each other in a transparent process.

The directors and management of the Qualitas Group consider its ability to provide financial services and investment products across the full capital structure, underpinned by extensive experience in the Australian real estate market, to be core to the Qualitas Group's value proposition to its clients and sophisticated investors.

In the opinion of the directors of the Company, there have been no significant changes to the state of affairs of either the Company or the Qualitas Group that have occurred during the financial year under review.

GOVERNANCE

Directors

The following persons held office as directors of the Company during the year, or since the end of the financial year and up to the date of this report:

- Andrew Schwartz Group Managing Director
- Alan Schwartz Non-Executive Director
- Carol Schwartz Non-Executive Director

Qualitas Corporate Group Advisory Board

The Qualitas Corporate Group Advisory Board ("The Advisory Board") provides oversight, guidance and decision making (where required) on matters pertaining to the governance of the Qualitas Group's general business affairs, including strategy, corporate governance, internal control systems, risk management and Financial Reporting.

The Qualitas Corporate Group Advisory Board comprises the directors of the Company as well as the following members who were advisors to the directors of the Company during the year, or since the end of the financial year and up to the date of this report:

- Michael Schoenfeld Non-Executive Chairperson and Advisory Board Member
- Elana Rubin Non-Executive Advisory Board Member
- David Krasnostein Non-Executive Advisory Board Member

Meetings of the Qualitas Corporate Group Advisory Board are attended by members of Qualitas Group management. The Qualitas Corporate Group Advisory Board met 6 times during the 2020 financial year, with further meetings held as required.

Qualitas Securities Board ("Trustee Board")

The Trustee Board provides oversight of management's compliance with the Qualitas Group's AFSL and safeguards the interests of investors in financial products for which Qualitas Securities acts as Trustee. The directors of Qualitas Securities Pty Ltd during the year, or since the end of the financial year and up to the date of this report were:

- Lewis Bearman Non-Executive Chairperson
- Andrew Schwartz Group Managing Director
- Andrew Fairley AM Non-Executive Director

Meetings of the Trustee Board are attended by members of Qualitas Group management. The Qualitas Securities Board meets on a quarterly basis, with further meetings held as required.

Risk Committee

The Risk Committee is a sub-committee of the Advisory Board, to assist the Advisory Board in the effective discharge of its responsibilities in the areas of enterprise risk management, which includes review and monitoring of internal control systems, risk management systems and insurance. The members of the Risk Committee during the year, or since the end of the financial year and up to the date of this report were:

- Elana Rubin Non-Executive Chairperson and Advisory Board Member
- Carol Schwartz Non-Executive Director
- David Krasnostein Non-Executive Advisory Board Member
- Andrew Schwartz Group Managing Director

Risk Committee (continued)

Meetings of the Risk Committee are attended by members of Qualitas Group management. The Risk Committee meets on a quarterly basis, with further meetings held as required.

People and Culture Committee

The People and Culture Committee is a sub-committee of the Advisory Board, to assist the Advisory Board in the effective discharge of its responsibility in providing oversight and guidance and, where appropriate, to make recommendations to management on remuneration practices (including staff bonus, fund performance fee and deal participation entitlement) and general business affairs relating to recruitment, cultural diversity, training, development and retention of staff.

The members of the People and Culture Committee during the year, and since the end of the financial year and up to the date of this report were:

- Andrew Schwartz Executive Chairperson (Group Managing Director)
- Elana Rubin Non-Executive Advisory Board Member
- Michael Schoenfeld Non-Executive Advisory Board Member
- David Krasnostein Non-Executive Advisory Board Member

Meetings of the People and Culture Committee are attended by members of Qualitas Group management. The People and Culture Committee meets on a quarterly basis, with further meetings held as required.

Qualitas and Fund Investment Committees

The Qualitas Investment Committee and various Fund Investment Committees are sub-committees of the Advisory Board. These committees oversee the investment selection, due diligence, approval and ongoing monitoring and review process.

The members of the Qualitas Investment Committee during the year, and since the end of the financial year and up to the date of this report were:

- Gerd Mayer Executive Chairperson (retired 31 July 2020 as Chief Risk Officer and appointed as Risk Consultant)
- Michael Schoenfeld Non-Executive Advisory Board Member
- David Krasnostein Non-Executive Advisory Board Member
- Alan Schwartz Non-Executive Director
- Andrew Schwartz Group Managing Director

Meetings of the Qualitas Investment Committee are attended by members of Qualitas Group management. The Qualitas Investment Committee meets as required. The members of the various Fund Investment Committees during the year, and since the end of the financial year and up to the date of this report were:

- Gerd Mayer Executive Chairperson (Chief Risk Officer) (retired 31 July 2020 and appointed as Risk Consultant)
- Robert McLellan Executive Chairperson (appointed 1 August 2020)
- Michael Schoenfeld Non-Executive Advisory Board Member
- David Krasnostein Non-Executive Advisory Board Member
- Alan Schwartz Non-Executive Director
- Andrew Schwartz Group Managing Director
- Mark Fischer Managing Director – Global Head of Real Estate
- Tim Johansen Managing Director – Global Head of Capital

Qualitas and Fund Investment Committees (continued)

The Qualitas and Fund Investment committees are attended by members of Qualitas Group management. The Qualitas and Fund Investment Committees meet as required.

Qualitas Finance & Audit Committee

The Qualitas Finance & Audit Committee is a sub-committee of the Advisory & Trustee Board. The committee oversees the Finance & Audit function approval processes for corporate group and fund external audits, budget processes and other Finance functions. The members of the Qualitas Finance & Audit Committee during the year, and since the end of the financial year and up to the date of this report were:

- Alan Schwartz Non-Executive Director
- Michael Schoenfeld Non-Executive Advisory Board Member
- Andrew Schwartz Group Managing Director

Meetings of the Qualitas Finance & Audit Committee are attended by members of Qualitas Group management. The Qualitas Finance & Audit Committee meets as required.

Arch Finance & Peer Estate Advisory Board

The Arch Finance and Peer Estate Advisory Board provides oversight, guidance and decision making (where required) on matters pertaining to the governance of Arch Finance and Peer Estate general business affairs, including strategy, corporate governance, internal control systems, risk management and Financial Reporting. The members of the Arch Finance and Peer Estate Advisory Board during the year, and since the end of the financial year and up to the date of this report were:

- David Krasnostein Non-Executive Chairperson and Advisory Board Member
- Alan Schwartz Non-Executive Director
- Andrew Schwartz Group Managing Director – Qualitas
- Michael Schoenfeld Non-Executive Advisory Board Member
- Russell Brennan Chief Executive Officer – Arch Finance & Peer Estate

Meetings of the Arch Finance & Peer Estate Advisory Board are attended by members of Qualitas Group and Arch Finance management. The Arch Finance & Peer Estate Advisory Board meets monthly or as required.

Executive and Senior Management

The Qualitas Group was led by an experienced executive and senior management team during the year, and since the end of the financial year and up to the date of this report:

- Group Managing Director – Qualitas Andrew Schwartz
- Managing Director – Arch Finance Russell Brennan
- Managing Director – Global Head of Real Estate Mark Fischer
- Managing Director – Global Head of Capital Tim Johansen
- Chief Risk Officer Gerd Mayer (retired 31 July 2020 and appointed as Risk Consultant. Robert McLellan was appointed as Chief Risk Officer on 1 August 2020).
- Managing Director – Global Head of Strategy Kathleen Yeung (retired 30 October 2019 as CFO, appointed Managing Director – Global Head of Strategy 1 November 2019)
- Chief Financial Officer & Public Officer Philip Dowman (appointed 1 November 2019)

QUALITAS GROUP AGGREGATION

For the purpose of the accompanying financial statements, the aggregated Qualitas Group comprises the following four sub-groups:

Sub-group	Head Entity	Role
Qualitas Property Partners Group	Qualitas Property Partners Pty Ltd	Operating, financing and investing activities pertaining to the Group's provision of financial services, investment funds and projects.
ACS & AJS Real Estate Group	Qualitas Pty Ltd	Provides finance to the group from its shareholders.
Qualitas Investments Group	Qualitas Investments Pty Ltd	Holds the Group's investment in Arch Finance, Peer Estate, Qualitas Fund Managers and Fund Trustee Companies.
Qualitas Capital Partners Group	Qualitas Capital Partners Pty Ltd	Antecedent company of the Qualitas Property Group, which holds assessed tax losses that were incurred in the Qualitas Group's formative years, which are still available for use over time.

The entities which comprise these sub-groups are outlined in the Notes to the accompanying financial statements.

Financial reporting principles

The accounting treatment of the entities that comprise the Qualitas Group are as follows:

Accounting treatment	Qualitas Group's ability to influence operating and financing decisions	Description of accounting treatment	For example
Cost method	Neither significant influence, nor joint control nor control	The parent entity reflects the cost of its investment in the underlying entity, and only recognises any returns in the Income Statement when declared as dividends or distributions from the underlying entity. Where the underlying entity incurs losses or there are other objective indications of impairment, the carrying value of the investment will be assessed for impairment by the parent.	Qualitas Real Estate Finance non-fund deals
Equity accounting method	Significant influence or joint control	The parent entity reflects its share of the underlying entity's post-acquisition gains or losses in its Income Statement, when incurred by the underlying entity, irrespective of whether the underlying entity has declared a dividend or distribution for the period.	Spire Apartments
Consolidation	Control	The parent entity reflects 100% of the underlying entity's assets, liabilities, income and expenses, as well as non-controlling parties' interests in the entity (which may be treated as either a liability or equity, depending on the legal form of the arrangement).	Marrickville, Spire Apartments
Fair value accounting	Control	Principal assets that do not meet the criteria of amortised cost have been designated as fair value through the statement of profit or loss.	Food Infrastructure Fund, Construction Debt Fund, Opportunity Fund, Digital Harbour, Qualitas Real Estate Investment Fund.

Financial reporting principles (continued)

At 30 June 2020, the accompanying financial statements reflect the projects or deals with a material effect that comprise the Qualitas Group as follows:

Project/deal name	Consolidated	Equity Accounted	Investments at cost*	Investment at fair value	Receivables *
Spire Fund	✓				
Spire project entity		✓			
Marrickville	✓				
Digital Harbour		✓			
Techin					✓
Caydon Alphington					✓
Merrylands					✓
Chippendale					✓
Landream					✓
JQZ Homebush					✓
Construction Debt Fund			✓		
Qualitas Real Estate Income Fund				✓	
Opportunity Fund I				✓	
Food Infrastructure Fund				✓	
Opportunity Fund II			✓		

* *Investments at cost* and *Receivables* are carried at their cost less provisions for accumulated impairment losses *(if required)*

REVIEW AND RESULTS OF OPERATIONS

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

	2020 $	2019 $
Net profit for the year attributable to owners of the Qualitas Group	7,901,892	3,776,624
Distributions to owners of the Qualitas Group	(5,663,231)	(4,168,431)
Net earnings/(loss) carried forward for owners of the Qualitas Group	2,238,661	(391,807)

Significant activities that took place during the financial year, which have had a material impact on the Qualitas Group’s financial performance and position at 30 June 2020 included:

- Settlements of apartments in the Spire Apartments development finalised in November 2019. All remaining 7 apartments were sold. Qualitas will be formally exiting the joint venture structure in FY2021.

- Launch of Qualitas US Office Fund on 26 February 2020. The Fund invests in the Qualitas US Office Property Fund I which entered through interposed investment vehicles into a joint-venture with a US-based real estate investment firm to acquire a new office building and adjoining garage lots located within Silicon Valley, California, USA. The objective of the investment is to derive rental income via distributions from Qualitas US Office Property Fund I prior to exiting the investment through a sale event at the end of the Fund term. The Fund will terminate 7 years from the first investor close date with the option for two 12-month extensions, therefore being a maximum of 9 years.

QUALITAS

REVIEW AND RESULTS OF OPERATIONS (continued)

- Launch of the Qualitas Opportunity Fund II in August 2019, being the date of first investor close. The Fund will terminate 5 years from the end of the investment period, subject to two 1-year extensions. The Fund will invest in a portfolio of equity, preferred equity investments and mezzanine debt in Australia and New Zealand real estate.

- Qualitas Real Estate Income Fund successfully completed entitlement offers to both wholesale and retail investors in September 2019 & October 2019, raising in total an additional $94.41m in investor capital. This additional capital allowed the Manager to further grow and diversify the Trust's portfolio.

The results reported in the accompanying financial statements reflect the earnings by the Qualitas Group and its investors, generated by its continued principal business activities, which included the sale and planned exit from projects as well as new investments and Funds undertaken by the Qualitas Group and its third party capital providers during the financial year under review.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Qualitas Group will continue to operate a financial services business within the scope of its business strategy, in accordance with the provisions of its AFSL.

It is not foreseen that the Qualitas Group will undertake any significant change in its general direction during the coming financial period. Further information about likely developments in the operations of the Qualitas Group and the expected results of those operations in future financial periods has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Qualitas Group.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The coronavirus has not had a significant impact on the Group's operations and activities subsequent to year end, and is not expected to increasingly effect the Group. It is not possible to accurately determine the nature or extent of the impacts or the time over which the Group will be impacted. Given the dynamic nature of these circumstances and the significant increase in economic uncertainty, the related impact on the Group's go forward results of operations, cash flows and financial condition cannot be reasonably estimated at this stage and will be reflected in the Group's subsequent financial year.

Based on the current available information, the Directors believe that the Group will remain a going concern.

ENVIRONMENTAL REGULATION

The Qualitas Group's operations are not subject to significant environmental regulation under either Commonwealth or State legislation.

QUALITAS

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

The Qualitas Group has taken out directors' and officers' insurance to indemnify current directors and officers of the Qualitas Group, against all liabilities to another person (other than the entities within the Qualitas Group or a related body corporate) that may arise from their position as directors of the Qualitas Group, except where the liability arises out of conduct involving a lack of good faith. The Qualitas Group has not indemnified or made a relevant agreement for indemnification against a liability with any person who is or has been an auditor of the Qualitas Group.

Insurance premiums

During the financial year the Company's paid insurance premiums on behalf of the Qualitas Group (which includes the Company) in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2020 and since the financial period. The Company has paid or agreed to pay on behalf of the Qualitas Group, premiums in respect of such insurance contracts for the year ending 30 June 2020. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been directors or executive officers of the Qualitas Group.

This report is made in accordance with a resolution of the directors of Qualitas Property Partners Pty Ltd, on behalf of the Qualitas Group.

A Schwartz

Andrew Schwartz
Managing Director
Melbourne, 27 October 2020

Qualitas Group Aggregation

Statement of Financial Position

As at 30 June 2020

	Note	2020 $	2019 $
Assets			
Cash and cash equivalents	*8*	17,010,892	19,396,976
Trade and other receivables	*9*	12,961,567	10,359,533
Inventories	*10*	23,143,496	22,685,904
Investments	*11*	143,593,120	108,951,872
Prepayments		606,950	427,832
Income tax receivable		122,547	742,312
Total current assets		**197,438,572**	**162,564,429**
Trade and other receivables	*9*	1,391,898	1,454,802
Equipment		654,769	765,765
Lease Asset		3,073,952	-
Intangibles		10,341,286	8,539,740
Investments	*11*	326,899,083	315,986,260
Total non-current assets		**342,360,988**	**326,746,567**
Total assets		**539,799,560**	**489,310,996**
Liabilities			
Trade and other payables	*12*	5,449,123	7,058,775
Deferred income	*13*	4,602,414	3,783,121
Employee benefits	*14*	2,511,691	2,747,050
Loans and borrowings	*15*	163,889,568	130,624,589
Distribution payable		130,401	396,115
Total current liabilities		**176,583,197**	**144,609,650**
Deferred tax liability		841,312	461,309
Employee benefits	*14*	455,466	203,598
Loans and borrowings	*15*	318,125,867	298,011,833
Total non-current liabilities		**319,422,645**	**298,676,740**
Total liabilities		**496,005,842**	**443,286,390**
NET ASSETS		**43,793,718**	**46,024,606**
Equity			
Issued capital		20,975,434	22,875,414
Retained earnings		73,248,470	65,346,578
Distribution reserve	*3(a)(i)*	(53,883,857)	(48,220,626)
Total equity attributable to equity holders		**40,340,047**	**40,001,366**
Non-controlling interests	*17*	**3,453,671**	6,023,240
TOTAL EQUITY		**43,793,718**	**46,024,606**

The Group initially applied AASB 16 at 1 July 2019. Under the transition method chosen, comparative information has not been restated. The *Statement of Financial Position* is to be read in conjunction with the Notes to the financial statements.

Qualitas Group Aggregation

Statement of Changes in Equity

For the year ended 30 June 2020

	Issued capital	Distribution reserve	Retained earnings	Total before non-controlling interests	Non-controlling interests	Total after non-controlling interests
	$	$	$	$	$	$
Balance at 1 July 2018	28,442,404	(44,052,195)	61,569,954	45,960,163	32,376,927	78,337,090
Total comprehensive income for the						
Profit for the year	-	-	3,776,624	3,776,624	316,803	4,093,427
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the	-	-	3,776,624	3,776,624	316,803	4,093,427
Transactions recorded directly in equity						
Contributions/(return) of capital	(5,566,990)	-	-	(5,566,990)	-	(5,566,990)
Non-controlling interest in subsidiary	-	-	-	-	-	-
Contributions by and distributions to						
Distributions to owners	-	(4,168,431)	-	(4,168,431)	-	(4,168,431)
Distributions to NCI – profits	-	-	-	-	(15,445,131)	(15,445,131)
Distributions to NCI – capital	-	-	-	-	(11,225,359)	(11,225,359)
Total transactions recorded directly in	(5,566,990)	(4,168,431)	-	(9,735,421)	(26,670,490)	(36,405,911)
Balance at 1 July 2019	**22,875,414**	**(48,220,626)**	**65,346,578**	**40,001,366**	**6,023,240**	**46,024,606**
Total comprehensive income for the						
Profit for the year	-	-	7,901,892	7,901,892	(2,484,863)	5,417,029
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the	-	-	7,901,892	7,901,892	(2,484,863)	5,417,029
Transactions recorded directly in equity						
Contributions/(return) of capital	(1,899,980)	-	-	(1,899,980)	-	(1,899,980)
Non-controlling interest in subsidiary	-	-	-	-	-	-
Contributions by and distributions to						
Distributions to owners	-	(5,663,231)	-	(5,663,231)	-	(5,663,231)
Distributions to NCI – profits	-	-	-	-	-	-
Distributions to NCI – capital	-	-	-	-	(84,706)	(84,706)
Total transactions recorded directly in	(1,899,980)	(5,663,231)	-	(7,563,211)	(84,706)	(7,647,917)
Balance at 30 June 2020	**20,975,434**	**(53,883,857)**	**73,248,470**	**40,340,047**	**3,453,671**	**43,793,718**

The amounts recognised directly in equity are disclosed net of tax.

The *Statement of Changes in Equity* is to be read in conjunction with the Notes to the financial statements.

Qualitas Group Aggregation

Statement of Profit or Loss and Other Comprehensive income

For the year ended 30 June 2020

	Note	2020 $	2019 $
Interest income	6	22,273,259	26,592,336
Interest expense	6	(17,189,201)	(16,930,730)
Net interest income		**5,084,058**	**9,661,606**
Performance fees		882,086	3,411,543
Income from the provision of financial services	4	26,595,542	21,211,854
Other income	5	701,079	1,538,815
Unrealised gains - fair value through profit & loss		6,171,052	3,361,107
Total income from the provision of financial services		**34,349,759**	**29,523,319**
Sales of apartments		-	7,106,504
Cost of sales of apartments		-	(5,247,850)
Profit from sale of apartments		**-**	**1,858,654**
<u>Operating Expenses</u>:			
Employee costs		(23,845,278)	(25,256,224)
Marketing and sales commission expenses - projects		(59,930)	(286,617)
Rental expenses		(194,561)	(1,426,328)
Consulting and professional fees		(1,626,431)	(1,542,037)
Travel expenses		(304,977)	(656,090)
Depreciation and amortisation		(2,316,411)	(764,121)
Other operating expenses		(3,720,077)	(5,299,556)
Total operating expenses		**(32,067,665)**	**(35,230,973)**
Equity accounted result for the year - Spire Apartments		(1,107,572)	13,556
Profit before income tax		**6,258,580**	**5,826,162**
Total income tax expense	7	(841,551)	(1,732,735)
Profit for the year		**5,417,029**	**4,093,427**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**5,417,029**	**4,093,427**
Total comprehensive income attributable to:			
Owners of the Qualitas Group		7,901,892	3,776,624
Non-controlling interests	17	(2,484,863)	316,803
		5,417,029	**4,093,427**

The Group initially applied AASB 16 at 1 July 2019. Under the transition method chosen, comparative information has not been restated.

The *Statement of Profit or Loss and Other Comprehensive Income* is to be read in conjunction with the Notes to the financial statements

Qualitas Group Aggregation

Statement of Cash flows

For the year ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Interest received – Arch Finance		22,936,139	20,704,643
Interest paid – Arch Finance		(15,584,818)	(15,567,535)
Interest received – Qualitas Group		361,177	3,572,072
Interest paid – Qualitas Group		(1,487,194)	(1,363,195)
Receipts from provision of financial services		25,371,909	26,797,294
Payments to suppliers, employees and others		(31,726,326)	(38,712,173)
Receipts from sale of Fawkner project apartments		-	7,106,504
Payments in relation to projects		(457,592)	(20,667,225)
Tax received/(paid)		158,214	(2,682,765)
Receipts from sale of apartments – goods and services tax		-	862,608
Net mortgage loans issued		(43,411,309)	(41,562,968)
Net investment and investment loans		(87,410)	43,739,366
Net cash (used in) operating activities	19	**(43,927,210)**	**(17,773,374)**
Cash flows from investing activities			
Payments for fixed assets		(238,141)	(710,470)
Net cash (used in) investing activities		**(238,141)**	**(710,470)**
Cash flows from financing activities			
Payment of lease liabilities		(1,705,549)	-
Net proceeds/(payment) from loans and borrowings		51,132,733	49,864,230
Distributions to shareholders of the parent – capital and profit		(7,563,211)	(9,735,421)
Distribution to NCI – capital and profits		(84,706)	(26,670,490)
Net cash provided by financing activities		**41,779,267**	**13,458,319**
Net (decrease) in cash and cash equivalents		**(2,386,084)**	**(5,025,525)**
Cash and cash equivalents at the beginning of the year		19,396,976	24,422,501
Cash and cash equivalents at the end of the year	8	**17,010,892**	**19,396,976**

The *Statement of Cashflows* is to be read in conjunction with the Notes to the financial statements.

1 Reporting entity

The Qualitas Group (the "Group") is domiciled in Australia. The aggregated financial statements of the Group as at and for the year ended 30 June 2020 comprise all the entities listed in Note 16. The Group is 'for profit' and primarily involved in the provision of financial services and investment products to sophisticated investors.

In the opinion of the directors, the Group is not publicly accountable, nor a reporting entity. Accordingly, the financial report of the Group has been drawn up as a special purpose financial report for distribution to the members.

2 Basis of preparation

(a) Statement of compliance

The special purpose financial report has been prepared in accordance with the requirements of the recognition and measurement aspects of all applicable Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and other authoritative pronouncements of the AASB that have a material effect, except for the departures as set out in Note 2(b)(iii) below.

The financial report does not include the disclosure requirements of all AASBs except for the following minimum requirements:

AASB 101:	*Presentation of Financial Statements*
AASB 108:	*Accounting Policies, Changes in Accounting Estimates and Errors*
AASB 1048:	*Interpretation and Application of Standards*
AASB 1054:	*Australian Additional Disclosures*

The financial statements were authorised for issue by the Directors on October 2020.

(b) Basis of aggregation and departures from the measurement and recognition requirements of the Accounting Standards

The Group's aggregated financial statements include the aggregation of the results and net assets of the four sub-groups set out below:

(i) *Entities aggregated*

The four sub-groups of the Qualitas Group Aggregation are as follows:

- Qualitas Capital Partners Group
- Qualitas Investments Group
- Qualitas Property Partners Group
- ACS & AJS Real Estate Group

The individual entities comprising the Qualitas Group Aggregation are set out in Note 16.

(b) Basis of aggregation and departures from the measurement and recognition requirements of the Accounting Standards (continued)

Qualitas Property Partners Pty Ltd and ACS & AJS Real Estate Financier Unit Trust are subject to a de facto control relationship and qualify for consolidation under AASB 10 *Consolidated Financial Statements*. De facto control by ACS & AJS Real Estate Financier Unit Trust over Qualitas Property Partners Pty Ltd was established in June 2014 as a result of common decision making rights being contractually established, along with indirect exposure, and rights to variable returns between these entities.

(ii) *Transactions eliminated on aggregation*

Intra-group balances and transactions within and between each of the four groups. These entities are listed in Note 16, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the aggregated financial statements.

(iii) *Departures from the measurement and recognition requirements of the Accounting Standards*

a. Equity Accounting

Certain investees of the Group are deemed to be joint ventures that are required to be accounted for using the equity method under the Accounting Standards. The directors have made an accounting policy election to not equity account the associates set out below, on the basis that the Group's financial interests and returns in the related projects are more appropriately presented on a non-equity accounted basis accounted at cost.

Associate investees:

- Digital Harbour Investments Pty Ltd;
- BBDH SF Investor B Pty Ltd;

In the event equity accounting had been applied, in accordance with the requirements of the Accounting Standard *AASB 128 Investment in Associates and Joint Ventures* and *AASB 11 Joint Arrangements* the share of investee's post acquisition profits and losses would have been recognised by the Group as share of equity accounted earnings rather than rendering of services income and interest income with the corresponding amounts recorded against the balance sheet investment balances in these investees.

b. Aggregation of Groups

As noted previously, the Qualitas Capital Partners Group and Qualitas Investments Group are aggregated into the aggregated financial statements. Control for financial reporting purposes of these groups and the entities within them by ACS & AJS Real Estate Financier Unit Trust and Qualitas Property Partners Pty Ltd has not been established in accordance with AASB 10.

(c) Basis of measurement

The aggregated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value in the statement of financial position.

(d) Functional and presentation currency

These aggregated financial statements are presented in Australian dollars, which is the functional currency of the Group.

(e) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key judgements involve:

- the use of assumptions relating to the recoverable value of the Group's investments, including financial assets measured at amortised cost. The measurement of impairment of financial assets measured at amortised cost requires management's best estimate of any losses incurred on the financial assets measured at amortised cost at reporting date. The Group measures loss allowances at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort;

- the use of key assumptions underlying the recoverability of capitalised project costs (Note 10 – Inventories). This involves estimation of forecast costs, sales and net profit from relevant projects;

- the determination of the nature and accounting treatment of investments in joint arrangements and controlled entities can involve complex judgements about the Group's exposure to risks and rewards including assessments of the extent of influence and the nature of rights and obligations attached to investments; and

- the determination of the presentation of non-controlling interests as either debt or equity instruments can involve complex judgements about the non-controlling interests income distribution and capital redemption rights and obligations attached to interests held in subsidiaries of the Group.

(f) Changes in significant accounting policies

The Group has initially applied AASB 16 Leases from 1 July 2019. A number of other new standards are also effective from 1 July 2019 but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

(i) Definition of a lease

Previously the Group determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4 *Determining whether an Arrangement contains a Lease.* The Group now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

(f) Changes in significant accounting policies (continued)

(ii) As a lessee

As a lessee, the Group leases many assets including items of property, equipment and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under AASB 117

Previously, the Group classified property leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019 (see Note 3(k)(i)). Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group used several practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. In particular, the Group:

- relied on its assessment of whether leases are onerous applying AASB 137 Provisions*, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review;
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of the initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of the initial application; and
- used hindsight when determining the lease term.

Leases classified as finance leases under AASB 117

The Group leases comprise of office spaces and the Group does not have any finance leases.

(f) Changes in significant accounting policies (continued)

(iii) Impact on financial statements

On transition to AASB 16, the Group recognised additional right-of-use assets, including property, and additional lease liabilities recognising the difference in retained earnings. The impact on transition is summarised below.

In dollars	**1 July 2019**
Right-of-use assets – office premises	3,089,454
Lease liabilities	(3,089,454)
Net deferred tax	-
Retained earnings	-

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests (“NCI”)
NCI are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date.

Classification of NCI as either debt or equity is based on the underlying rights and obligations of the NCI. Debt classification arises in the event the relevant controlled entity is a limited life entity, distributions of profit or contributed capital are mandatory or the NCI has a right to redeem its contributed capital. In the event of any of these conditions are not satisfied, equity classification may apply to the NCI.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

De facto agents
In assessing control, the Group has considered the nature of its relationship with other parties and those other parties are acting on the Group’s behalf (de facto agents). A party is a de facto agent when the Group (the investor) has, or those that direct the activities of the investor have, the ability to direct that party to act on the investor’s behalf. Under the accounting standard AASB 10, the Group has determined that the contractual relationship between ACS and AJS Real Estate Financier Unit Trust (“Financier Trust”) and Qualitas Property Partners Pty Ltd meets the criteria for consolidation as a de facto relationship exists between these entities.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Business combinations (continued)

De facto agents (continued)
The Company is the legal parent entity of the consolidated group. ACS and AJS Real Estate Financier Unit Trust ("Financier Trust") is consolidated by way of a de facto arrangement. In addition, the Financier Trust economically holds ownership of the group, whereby the Financier Trust can exert its influence over the commercial decisions of the group. The Company undertakes the primary activities and the Financier Trust provides the source of funds to achieve the common objective of the group.

Distribution reserve
The Distribution reserve records the cumulative amounts distributed by the ACS & AJS Financier Trust to its unitholders.

Transaction costs
Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred, except if related to the issue of debt or equity securities.

(ii) Special purpose entities

A special purpose entity (SPE) is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

(iii) Investments in associates and jointly controlled entities (equity accounted investees)

The Group's interests in equity-accounted investees comprise equity or receivables interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(iv) Joint operations - proportionate consolidation

The Group applies the proportionate consolidation to jointly controlled entities, where the statement of financial position of the Group includes its share of the assets that are controlled jointly and its share of the liabilities for it is jointly responsible. The statement of comprehensive income of the Group also includes its share of the income and expenses of the joint arrangement.

3 Significant accounting policies (continued)

(b) Financial instruments

(i) Recognition and initial measurement

The Group initially recognises trade and other receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified and measured at amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment (continued)

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit or loss.

(iii) Derecognition

Financial assets

The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Derecognition (continued)

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group 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.

(v) Issued capital

Ordinary shares and Trust units
Ordinary shares and Trust units are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and Trust units are recognised as a deduction from equity, net of any tax effects.

Dividends and Trust distributions
Dividends and Trust distributions are recognised as a liability in the period in which they are declared.

(vi) Equity plan arrangements

Equity plan arrangements are accounted for as equity instruments on the basis that the equity instruments are issued at a fair value issuance price and the terms of consideration paid or payable are set on an arm's length basis. The fair value of equity instruments that do not have a quoted market price in an active market is based on valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would consider in pricing a transaction.

(c) Equipment

(i) Recognition and measurement

Items of equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognised net within "other income" in profit or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of equipment is recognised in profit or loss as incurred.

3 Significant accounting policies (continued)

(c) Equipment (continued)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line and/or diminishing basis over the estimated useful lives of each part of an item of equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

	2020	2019
• Right of use asset	2-3 years	-
• Furniture, fixtures and fittings	2-8 years	2-8 years
• Computer equipment	2-4 years	2-4 years
• Computer software	2-4 years	2-4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(d) Intangible assets

Acquisition costs

Intangible assets comprising of portfolio acquisition costs are initially recognised at cost and subsequently measured at amortised cost. The useful life of intangible assets is treated as the period over which economic benefits are received by the Group.

Incremental costs incurred by the Group are capitalised when the costs are incremental to winning a contract with a customer and considered to be recoverable. All other costs are expensed when incurred.

An intangible asset is impaired when its carrying amount exceeds its recoverable amount. Management assess where there are any indications that intangible assets are impaired at the end of each reporting period. All impairment losses are included in the carrying value of intangible assets at each reporting period.

(e) Impairment

(i) Non-derivative financial assets

Financial instruments

The Group recognises loss allowances for expected credit losses ("ECL's") on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

3 Significant accounting policies (continued)

(e) Impairment (continued)

(i) Non-derivative financial assets (continued)

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is long overdue.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

3 Significant accounting policies (continued)

(e) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in profit or loss. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Inventories

(i) Development projects

The asset includes the costs of acquisition, development, borrowings and all other costs directly related to specific projects, held for the purpose of resale. Borrowing and holding costs such as rates and taxes incurred after the completion of development and construction are expensed

(g) Assets classified as held for sale

Assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(h) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3 Significant accounting policies (continued)

(h) Employee benefits (continued)

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(j) Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

(i) Services

The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payments terms, and the related revenue recognition policies.

The fees are based on net assets under management at the end of the month and any uncertainty related to the fees is resolved at the end of the same month. Therefore, management fee revenues continue to be recognised when invoiced, which corresponds directly with the delivery of performance obligations by the Group.

If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone selling prices. Invoices for services are issued on a monthly basis and are usually payable within 30 days.

Revenue from services rendered consists of fees for loan management services (interest spreads), fees for transaction structuring, advisory services, commitment fees, arranger fees, mandate fees, exit fees and establishment fees on provision of investment loans. Revenue also includes fund manager fees where the Group acts as the fund manager of funds.

Revenue from services is recognised in profit or loss when the services are provided or on completion of the underlying transaction. In respect of commitment fees and establishment fees, revenue is recognised on a time proportionate basis over the term of the investment loans. Revenue from the rendering of fund manager services is recognised upon delivery of the services to the funds.

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3 Significant accounting policies (continued)

(j) Revenue (continued)

(ii) Development profits

Revenue from the sale of residences and apartments is recognised when the significant risks, rewards of ownership and effective control have been transferred to the buyer. This has been determined to typically occur on settlement.

(iii) Distributions

Distributions from investments in projects is recorded as revenue on receipt of the distributed funds.

(k) Leases

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 17 and AASB Interpretation 4.

Policy applicable from 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3 **Significant accounting policies (continued)**

(k) Leases (continued)

(i) As a lessee (continued)

The lease liability is initially measure at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurements of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

3 Significant accounting policies (continued)

(k) Leases

(i) As a lessee (continued)

Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependant on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than a significant amount of the output;
  - the purchaser had the ability or right to control the physical access to the asset while obtaining or controlling more than a significant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(l) Finance income and finance costs

Finance income comprises changes in the fair value of financial assets through profit or loss and interest income on mortgage assets, investment loans, term deposits and bank balances. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and changes in the fair value of financial assets through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

(m) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3 Significant accounting policies (continued)

(m) Income tax (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised.

(i) Tax consolidation

The aggregated entities that form part of the Qualitas Property Partners Group, outlined in Note 16 have formed a tax-consolidated group, with the exception of the following entities as at 30 June 2020:

QEP Bondi Junction Unit Trust No. 2	QEP 499 Mezz Co Pty Ltd
QEP Bondi Junction Pty Ltd	QEP 499 Mezz Co Unit Trust
QEP Bondi Junction Unit Trust	QEP 499 Pref Co Pty Ltd
Hollywood Apartments Pty Ltd	QEP 499 Pref Co Unit Trust
Hollywood Apartments Unit Trust	Fawkner Centre Residence Pty Ltd
QEP Fawkner Pty Ltd	Fawkner Centre Residences Unit Trust
QEP Fawkner Unit Trust	QEP Spire Apartments Unit Trust
QEP 499 Holdings Pty Ltd	3-5 Carrington Road Pty Ltd
QEP 499 Holding Unit Trust	3-5 Carrington Road Unit Trust

As a consequence of forming a tax-consolidated group, all members of this group are taxed as a single entity. The head entity within the tax-consolidated group is Qualitas Property Partners Pty Ltd.

No tax-consolidated groups have been formed in the ACS & AJS Real Estate and Qualitas Capital Partner Groups as at 30 June 2020. A tax-consolidated group was created in the Qualitas Investments Group as at 30 June 2018 with QFM Hold Co Pty Ltd as the head entity.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘separate taxpayer within group’ approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

3 Significant accounting policies (continued)

(m) Income tax (continued)

(i) Tax consolidation (continued)

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax consolidated group and are recognised by the company as amounts payable (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the head entity as an equity contribution or distribution

The head entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(n) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(o) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 July 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The new standards are not expected to have a significant impact on the Group’s financial statements apart from:

- AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities)*
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.*

These standards remove the ability of the Group to prepare special purpose financial statements and will require the Group to prepare general purpose financial statements – Tier 2; and apply the disclosures set out in AASB 1060.

As the Group applies all the recognition and measurement requirements of all Australian Accounting Standards, there will be no impact on the amounts recognised in the financial statements. More disclosure will be required relating to revenue, income taxes, related party transactions, financial instruments and leases than is currently provided. Both standards will apply to the Group from the financial year beginning 1 July 2021 (i.e. for the year ended 30 June 2022).

(p) Comparatives

The accounting policies have been consistently applied to all reporting periods presented.

4 Income from the provision of financial services

	2020	2019
	$	$
Arrangement, establishment and mandate fees	4,728,949	3,761,754
Management fees and spreads	17,931,653	12,507,069
Exit fees	308,672	336,255
Distributions from funds and projects	3,348,546	2,927,313
Portfolio and ancillary fees	277,722	1,679,463
	26,595,542	21,211,854

5. Other income

	2020	2019
Digital Harbour CEO fees	180,000	180,000
Rental income	521,079	598,994
Sundry income	-	759,821
	701,079	1,538,815

6. Interest income and interest expense

Interest income

	2020	2019
Interest income on project loans, mortgages, bank balances and term deposits:		
- Arch Finance – mortgage loans	21,789,516	21,262,079
- Qualitas Group	483,743	5,330,257
Total interest income	22,273,259	26,592,336

Interest expense

	2020	2019
Interest expense on interest bearing notes (Arch Finance)	(15,584,818)	(15,567,535)
Interest expense on investor loan – external	(52,862)	(83,925)
Interest expense on Marrickville	(896,324)	(999,212)
Lease interest expense	(117,189)	-
Other	(538,008)	(280,058)
Total interest expense	(17,189,201)	(16,930,730)
Net interest income recognised in profit or loss	5,084,058	9,661,606

7. Income tax

	2020 $	2019 $
Income tax expense		
Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit for the year	5,417,029	4,093,427
Total income tax (benefit)/expense	841,551	1,732,735
Profit excluding income tax	6,258,580	5,826,162
Income tax using the Group's domestic tax rate of 30% (2019: 30%)	1,877,574	1,747,848
Non-assessable income to group	(642,105)	(44,052)
Non-deductible expenses	18,734	34,427
Tax losses (utilised and temporary differences recognised not previously brought to account and other items)	(412,652)	(5,488)
	841,551	1,732,735

8. Cash and cash equivalents

Cash on hand	574	374
Cash at bank	17,010,318	19,396,602
Cash and cash equivalents	17,010,892	19,396,976

Cash at bank represents cash held by Qualitas Property Partners Pty Ltd and cash held in project or fund bank accounts, where those entities have been consolidated in the Qualitas Group accounts in accordance with Australian Accounting Standards.

9. Trade and other receivables

Current		
Trade receivables	2,119,860	2,652,557
Accrued income – Arch Finance Warehouse Trust	1,543,574	1,656,350
Accrued income – Qualitas Group	4,187,947	1,594,575
Recoverable costs – other	5,096,836	1,693,927
Sundry receivables	13,350	2,762,124
	12,961,567	10,359,533
Non-current		
Sundry receivables	1,391,898	1,454,802
	1,391,898	1,454,802

10. Inventories

Current		
Development and capitalised project costs	23,143,496	22,685,904
	23,143,496	22,685,904

11. Investments

	2020 $	2019 $
Current investments		
Investments, at cost and fair value:		
Mortgages, at amortised cost	142,823,242	106,306,927
Term deposits	769,878	392,334
Investment loans – projects:		
Spire project equity accounted profit	-	2,252,611
	143,593,120	108,951,872
Non-current investments		
Investments, at cost and fair value:		
Digital Harbour Investments	8,444,190	1,271,974
Qualitas Real Estate Opportunity Fund I	8,397,643	8,876,587
Qualitas Construction Debt Fund	1,329,155	495,517
Qualitas Food Infrastructure Fund	1,603,287	1,244,967
Qualitas Real Estate Income Fund	8,906,250	10,281,250
Mortgages, at amortised cost	297,076,704	291,388,293
Investment loans – projects	1,141,854	2,427,672
	326,899,083	315,986,260

12. Trade and other payables

	2020 $	2019 $
Current		
Trade payables	82,954	93,700
Other payables:		
- Interest payable on Notes – Arch Finance	1,152,887	1,591,105
- Amounts received in advance	-	15,387
- Sundry payables	3,689,807	5,253,354
GST payable	523,475	105,229
	5,449,123	7,058,775

13. Deferred income

Prepaid interest - Arch Finance	3,215,011	2,068,388
Prepaid management fees	1,387,403	1,714,733
	4,602,414	3,783,121

	2020	2019
14. Employee benefits	**$**	**$**
Current		
Employee entitlements	2,511,691	2,747,050
	2,511,691	2,747,050
Non-current		
Employee entitlements	455,466	203,598
	455,466	203,598

15. Loans and borrowings

	2020	2019
Current liabilities		
Interest bearing Notes – bank & other financial institutions	135,723,282	100,416,994
Loan – Class C2 and C1b Note re-financing	6,903,179	5,103,904
Loan – Marrickville No.2	10,760,000	10,545,001
Loan – PGF	9,750,000	9,295,000
Loan payable to related party – QIT	-	215,227
Financiers – QIT - Interest	-	3,184
Loan payable to related party – QUMF	-	4,183
Loan payable to related party – QREIF Tranche	-	5,000,000
Financier Loan – QREIF Tranche Interest	-	41,096
Lease liability	753,107	-
	163,889,568	130,624,589
Non-current liabilities		
Interest bearing Notes – bank & other financial institutions	282,308,572	275,243,933
Loan – Class C2 and C1b Note re-financing	14,358,822	13,989,848
QREIF Manager Loan	11,228,760	8,778,052
Loan payable to related party – QIT	2,870,163	-
Financiers – QIT - Interest	3,184	-
Loan payable to related party – QREIF Tranche	5,000,000	-
Financier Loan – QREIF Tranche Interest	41,096	-
Lease liability	2,315,270	-
	318,125,867	298,011,833

16. Group entities

At the reporting date, the aggregation of the Qualitas Group comprised four consolidated groups including the following entities:

ACS & AJS Real Estate Group

		2020	2019
Trustee	*Trust Entity*		
Qualitas Pty Ltd	ACS & AJS Real Estate Financier Unit Trust	✓	✓
ACS Qualitas Management Pty Ltd	ACS Qualitas Management Trust	✓	✓

Qualitas Capital Partners Group

		2020	2019
Trustee	*Trust Entity*		
Qualitas Capital Partners Pty Ltd	Qualitas Capital Partners Unit Trust	✓	✓

Qualitas Investments Group

		2020	2019
Parent entity	*Trust Entity*		
Qualitas Investments Pty Ltd	Qualitas Investments Unit Trust	✓	✓
Controlled Trustee Entities and Trusts			
Trustee	*Trust Entity*		
Treasury Finance Pty Ltd	Treasury Finance Unit Trust	✓	✓
Arch Finance Pty Ltd	Arch Finance Unit Trust	✓	✓
	Arch Finance Warehouse Trust	✓	✓
QEP DHH Investor B Pty Ltd	QEP DHH Investor B Unit Trust	✓	✓
Controlled entities			
QFM Hold Co Pty Ltd		✓	✓
Qualitas Funds Management Pty Ltd		✓	✓
Qualitas REO Fund Manager Pty Ltd		✓	✓
QREO Nominee Pty Ltd		✓	✓
Peer Estate Pty Ltd		✓	✓
QREO Fixed Pty Ltd		✓	✓
QREO Fixed A Pty Ltd		✓	✓
QREO Growth Pty Ltd		✓	✓
QREO Growth A Pty Ltd		✓	✓
Peer Estate Administrators Pty Ltd		✓	✓
Peer Estate Investor Pty Ltd		✓	✓
Peer Estate IP Pty Ltd		✓	✓
Peer Estate Finance Pty Ltd		✓	✓
Peer Estate Mortgages Pty Ltd		✓	✓
Peer Estate Pool Pty Ltd		✓	✓
QCD Fund Manager Pty Ltd		✓	✓
QCD Fund Pty Ltd		✓	✓
QSD Fund Feeders Pty Ltd		✓	✓
QSD Fund Manager Pty Ltd		✓	✓
QSD Fund Pty Ltd		✓	✓
Qualitas Discretionary Funds Management Pty Ltd		✓	✓
QFI Fund Manager Pty Ltd		✓	✓
QFI Fund Pty Ltd		✓	✓
QFI Property Fund Pty Ltd		✓	✓
QLA Manager Pty Ltd		✓	✓

16. Group Entities (continued)		2020	2019
Qualitas Investments Group (continued)			
QRI Manager Pty Ltd		✓	✓
QRI Fund Services Pty Ltd		✓	✓
QUMF Fund Manager Pty Ltd		✓	✓
QMD Fund Manager Pty Ltd		✓	✓
QLDF Manager Pty Ltd		✓	✓
QSH No.1 Manager Pty Ltd		✓	✓
QAMF Manager Pty Ltd		✓	
BTR Impact Fund Manager		✓	

Qualitas Property Partners Group

	2020	2019
Parent entity		
Qualitas Property Partners Pty Ltd	✓	✓
Controlled Entities		
3 Carrington Road Pty Ltd & 3 Myrtle St Pty Ltd	✓	
Digital Harbour (Holdings) Pty Ltd	✓	✓
Digital Harbour Investments Pty Ltd ATF Digital Harbour Investments Trust	✓	✓
Fawkner Centre Residences Pty Ltd	✓	✓
Fawkner Centre Residences Unit Trust	✓	✓
Hollywood Apartments Pty Ltd	✓	✓
Hollywood Apartments Unit Trust	✓	✓
One Point Piper Pty Ltd ATF One Point Piper Unit Trust	✓	✓
Parliament Square Hobart Landowner Pty Ltd ATF Parliament Square Hobart Trust	✓	✓
QEP (Bendigo) 1 Pty Ltd*	-	✓
QEP (Bendigo) 1 Unit Trust*	-	✓
QEP (Bendigo) 2 Pty Ltd*	-	✓
QEP (Bendigo) 2 Unit Trust*	-	✓
QEP (Wrap) Pty Ltd*	-	✓
QEP 499 Holdings Pty Ltd	✓	✓
QEP 499 Holdings Unit Trust	✓	✓
QEP 499 Mezz Co Pty Ltd	✓	✓
QEP 499 Mezz Co Unit Trust	✓	✓
QEP 499 Pref Co Pty Ltd	✓	✓
QEP 499 Pref Co Unit Trust	✓	✓
QEP Bondi Junction Investor Pty Ltd	✓	✓
QEP Bondi Junction Investor Unit Trust	✓	✓
QEP Bondi Junction Manager Pty Ltd	✓	✓
QEP Bondi Junction Pty Ltd	✓	✓
QEP Bondi Junction Unit Trust	✓	✓
QEP Bondi Junction Unit Trust No. 2	✓	✓
QEP Bouverie St Investor Unit Trust	✓	✓
QEP Bouverie St. Investor Pty Ltd	✓	✓
QEP Bouverie St. Manager Pty Ltd	✓	✓
QEP Bouverie St. Pty Ltd	✓	✓
QEP Bouverie St. Unit Trust	✓	✓
QEP Development Services (Bondi) Pty Ltd	✓	✓
QEP Development Services Pty Ltd*	-	✓
QEP DHH Pty Ltd	✓	✓

*Entities deregistered during the 2020 financial year.

16. Group Entities (continued)	2020	2019
Qualitas Property Partners Group (continued)		
QEP DHH Unit Trust	✓	✓
QEP Fawkner Investor Pty Ltd	✓	✓
QEP Fawkner Manager Pty Ltd	✓	✓
QEP Fawkner Pty Ltd	✓	✓
QEP Fawkner Unit Trust	✓	✓
QEP First Mortgage Enhancement Pty Ltd	✓	✓
QEP First Mortgage Enhancement Unit Trust	✓	✓
QEP Hobart Pty Ltd*	-	✓
QEP Hobart Unit Trust*	-	✓
QEP Kensington Investor Pty Ltd*	-	✓
QEP Kensington Manager Pty Ltd*	-	✓
QEP Kingscliff Pty Ltd*	-	✓
QEP Marrickville No.2 Pty Ltd	✓	✓
QEP Marrickville Pty Ltd	✓	✓
QEP Marrickville Unit Trust	✓	✓
QEP Marrickville Unit Trust No. 2	✓	✓
QEP MP Pty Ltd*	-	✓
QEP MP Unit Trust*	-	✓
QEP Otway Pty Ltd*	-	✓
QEP Otway Unit Trust*	-	✓
QEP Panorama Pty Ltd*	-	✓
QEP Point Piper Pty Ltd	✓	✓
QEP Point Piper Unit Trust	✓	✓
QEP Spire Apartments Financier Pty Ltd	✓	✓
QEP Spire Apartments Investor Pty Ltd	✓	✓
QEP Spire Apartments Investor Unit Trust	✓	✓
QEP Spire Apartments Manager Pty Ltd	✓	✓
QEP Spire Apartments Pty Ltd	✓	✓
QEP Spire Apartments Unit Trust	✓	✓
QEP SSC Financier Pty Ltd*	-	✓
QEP Summerhill Pty Ltd*	-	✓
QEP Summerhill Unit Trust*	-	✓
QFI Fund Bridge Pty Ltd*	-	✓
QMP No. 3 Pty Ltd*	-	✓
QPP (Wrap) Pty Ltd*	-	✓
QPP (Wyndham) Pty Ltd*	-	✓
QPP Pagewood Pty Ltd	✓	✓
QPP University Hill Unit Trust*	-	✓
QREF Mezzanine Debt No. 11 Pty Ltd*	-	✓
QREF Mezzanine Debt No. 14 Pty Ltd*	-	✓
QREF Mezzanine Debt No. 15 Pty Ltd*	-	✓
QREF Mezzanine Debt No. 2 Pty Ltd*	-	✓
QREF Mezzanine Debt No. 3 Pty Ltd*	-	✓
QREF Mezzanine Debt No. 4 Pty Ltd*	-	✓
QREF Mezzanine Debt No. 5 Pty Ltd*	-	✓
QREF Mezzanine Debt No. 6 Pty Ltd*	-	✓
QREF Mezzanine Debt No. 8 Pty Ltd*	-	✓
QREF Mezzanine Debt No.16 Pty Ltd	✓	✓

*Entities deregistered during the 2020 financial year.

16. Group Entities (continued)	2020	2019
Qualitas Property Partners Group (continued)		
QREF Mezzanine Debt Pty Ltd*	-	✓
QREF Senior Debt No. 10 Pty Ltd*	-	✓
QREF Senior Debt No. 7 Pty Ltd*	-	✓
QREF Senior Debt No. 9 Pty Ltd*	-	✓
QREF Senior Debt No.12 Pty Ltd*	-	✓
QREF Senior Debt No.17 Pty Ltd	✓	✓
QREF Senior Debt No.18 Pty Ltd	✓	✓
QREF Senior Debt No.19 Pty Ltd	✓	✓
QREF Senior Debt No.20 Pty Ltd	✓	✓
QREF Senior Debt No.21 Pty Ltd	✓	✓
QREF Senior Debt No.22 Pty Ltd	✓	✓
QREF Senior Debt No.23 Pty Ltd	✓	✓
QREF Senior Debt No.24 Pty Ltd	✓	✓
QREF Senior Debt No.25 Pty Ltd	✓	✓
QREF Senior Debt No.26 Pty Ltd	✓	✓
QREF Senior Debt No.27 Pty Ltd	✓	✓
QREF Senior Debt No.29 Pty Ltd	✓	
QRP Debt Securities Pty Ltd*	-	✓
QRP Equity Securities Pty Ltd	✓	✓
QRP Equity Securities Unit Trust	✓	✓
Qualitas Administrators Pty Ltd	✓	✓
Qualitas Advisory Pty Ltd	✓	✓
Qualitas CDF investor Pty Ltd	✓	✓
Qualitas Custodian Pty Ltd*	-	✓
Qualitas Equity Partners Pty Ltd	✓	✓
Qualitas Equity Partners Unit Trust	✓	✓
Qualitas Funds Management Pty Ltd	✓	✓
Qualitas Management Services Pty Ltd	✓	✓
Qualitas Mezzanine Partners (Elan) Pty Ltd*	-	✓
Qualitas Mezzanine Partners No 2 Pty Ltd*	-	✓
Qualitas Mezzanine Partners Pty Ltd*	-	✓
Qualitas Mezzanine Partners Unit Trust*	-	✓
Qualitas Mezzanine Partners Unit Trust No.2*	-	✓
Qualitas Opportunity Fund No 2 Pty Ltd*	-	✓
Qualitas Opportunity Fund No 2 Unit Trust*	-	✓
Qualitas Opportunity Fund No 3 Pty Ltd*	-	✓
Qualitas Opportunity Fund No 3 Unit Trust*	-	✓
Qualitas Property Partners Pty Ltd	✓	✓
Qualitas Real Estate Finance Pty Ltd	✓	✓
Qualitas Real Estate Finance Trust	✓	✓
Qualitas REIT Partners Pty Ltd	✓	✓
Qualitas REIT Partners Unit Trust	✓	✓
Qualitas Securities Pty Ltd	✓	✓
QPP Pagewood Finance Pty Ltd	✓	
QUSOF Investor Pty Ltd	✓	
QUSOF Investor II Pty Ltd	✓	
QUSOF Bridge Pty Ltd	✓	

*Entities deregistered during the 2020 financial year.

17. Non-controlling interests

Non-controlling interests represents amounts recognised in the Qualitas Group financial statements that are attributable to external parties. Non-controlling interests arise upon consolidation of 100% of the controlled entities' net assets and net profit or loss for the reporting period, but where the Qualitas Group does not hold a 100% interest in the underlying entities.

Net Assets as at 30 June 2020

	Net assets Attributable to controlling interest (Qualitas Group) $	Net assets Attributable to non-controlling interest (external parties) $	Total Net Assets recognised on the Statement of Financial Position $
QEP Bondi Junction Unit Trust	33,084	109,400	142,484
QEP Bondi Junction Unit Trust No.2	57,565	152,539	210,104
Hollywood Apartments Unit Trust	(55,135)	55,542	407
QEP Spire Apartments Unit Trust	26,048	281,470	307,518
QEP Fawkner Unit Trust	(111,872)	111,872	-
QEP 499 Pref Co Unit Trust	(563,844)	563,844	-
Total prior to consolidation adjustments	(614,154)	1,274,667	660,513
Adjustments:			
- Consolidation adjustments	(335,493)	2,179,004	1,843,511
Total after consolidation adjustments	(949,647)	3,453,671	2,504,024

Net Assets as at 30 June 2019

	Net assets Attributable to controlling interest (Qualitas Group) $	Net assets Attributable to non-controlling interest (external parties) $	Total Net Assets recognised on the Statement of Financial Position $
QEP Bondi Junction Unit Trust	33,084	109,400	142,484
QEP Bondi Junction Unit Trust No.2	57,294	152,539	209,834
Hollywood Apartments Unit Trust	(55,136)	55,544	407
QEP Spire Apartments Unit Trust	730,433	7,825,154	8,555,587
QEP Fawkner Unit Trust	(29,303)	569,322	540,019
QEP 499 Pref Co Unit Trust	1,000	5,539	6,539
Fawkner Centre Residences Unit Trust	(563,844)	563,844	-
Total prior to consolidation adjustments	173,528	9,281,342	9,454,870
Adjustments:			
- Consolidation adjustments	1,973,933	(3,258,102)	(1,284,179)
Total after consolidation adjustments	2,147,461	6,023,240	8,170,691

17. Non-controlling interests (continued)

Net Profit for the year ended 30 June 2020

	Net Profit/(Loss) Attributable to controlling interest (Qualitas Group)	Net Profit/(Loss) Attributable to non-controlling interest (external parties)	Total Net Profit/(Loss) recognised in the Statement of Profit or Loss
	$	$	$
QEP Bondi Junction Unit Trust No.2	62	209	271
QEP Spire Apartments Unit Trust	(202,894)	(2,027,737)	(2,230,631)
QEP Fawkner Unit Trust	(82,569)	(457,450)	(540,019)
QEP 499 Mezz Co Unit Trust	21	115	136
Total prior to consolidation adjustments	(285,380)	(2,484,863)	(2,770,243)
Adjustments:			
- Consolidation adjustments	-	-	-
Total after consolidation adjustments	(285,380)	(2,484,863)	(2,770,243)

Net Profit/(Loss) for the year ended 30 June 2019

	Net Profit/(Loss) Attributable to controlling interest (Qualitas Group)	Net Profit/(Loss) Attributable to non-controlling interest (external parties)	Total Net Profit/(Loss) recognised in the Statement of Profit or Loss
	$	$	$
QEP Bondi Junction Unit Trust	(28,160)	(93,868)	(122,028)
QEP Bondi Junction Unit Trust No.2	(25,852)	(86,492)	(112,344)
QEP Spire Apartments Unit Trust	147,345	1,578,003	1,725,348
QEP Fawkner Unit Trust	211,893	1,173,936	1,385,829
QEP Fawkner Pref Co Unit Trust	8,860	49,088	57,948
QEP 499 Mezz Co Unit Trust	1,000	5,539	6,539
Fawkner Centre Residences Unit Trust	(72,940)	(881,148)	(954,088)
Total prior to consolidation adjustments	242,146	1,745,058	1,987,204
Adjustments:			
- Consolidation adjustments	(394,002)	(1,428,255)	(1,822,257)
Total after consolidation adjustments	(151,856)	316,803	164,947

Refer to Note 3(a)(i) for the accounting treatment of non-controlling interests.

18. Equity accounted entities

The Qualitas Group holds investments in associates and jointly controlled entities as follows:

Entity name:	2020 % held	2019 % held
Spire Apartments Unit Trust	50%	50%
Digital Harbour Investments Pty Ltd	38.6%	38.6%
BBDH SF Investor B Pty Ltd	48.76%	48.76%
3 Carrington Road Unit Trust	100%	49.9%
3 Carrington Road Pty Ltd	100%	49.9%

19. Cash Flow Information

	$	$
Reconciliation of cash flows from operating activities with Profit after		
Net profit	5,417,029	4,093,427
Adjustments for:		
- Depreciation and amortisation	2,316,411	764,121
- Share of (profit)/loss of equity accounted investments	1,107,572	(13,556)
Operating profit before changes in working capital and provisions	**8,850,425**	**4,843,992**
Net (increase) in trade and other receivables	(2,539,130)	(2,469,489)
Net (increase) in inventories	(457,592)	(15,419,375)
Net (increase) in prepayments	(179,118)	(101,176)
Net (decrease) in trade and other payables	(1,609,652)	(4,261,400)
Net (decrease)/increase in deferred tax asset	380,000	912,202
Net increase/(decrease) in deferred income	819,293	(737,801)
Net increase in provisions and employee benefits	16,509	1,114,907
Net (decrease)/increase in tax payable	619,765	(1,862,234)
Net (increase)/decrease in investment loans – classified as operating activity	(49,827,710)	207,000
Net cash used in operating activities	**(43,927,210)**	**(17,773,374)**

20. Matters subsequent to the end of the financial year

The coronavirus has not had a significant impact on the Group's operations and activities subsequent to year end, and is not expected to increasingly effect the Group. It is not possible to accurately determine the nature or extent of the impacts or the time over which the Group will be impacted. Given the dynamic nature of these circumstances and the significant increase in economic uncertainty, the related impact on the Group's go forward results of operations, cash flows and financial condition cannot be reasonably estimated at this stage and will be reflected in the Group's subsequent financial year.

Based on the current available information, the Directors believe that the Group will remain a going concern.

21. Auditors' remuneration

	2020 $	2019 $
Audit services		
KPMG Australia:		
- Audit of financial statements – Qualitas Group	60,000	60,000
- Audit of financial statements – Qualitas Securities Pty Ltd	5,000	5,000
- Audit of financial statements – Arch Finance	47,000	47,000
	112,000	112,000
Other assurance services		
- AFSL	5,000	5,000
- Compliance audit GS007	30,000	30,000
	35,000	35,000
Other services		
KPMG Australia:		
- Compilation of financial statements	28,000	35,000
- Taxation services	171,717	116,481
- Other services	252,246	255,017
	451,963	406,498
	598,963	553,498

Qualitas Group Aggregation

Directors' Declaration

QUALITAS

1 In the opinion of the directors of the Qualitas Property Pty Ltd (the Company) and its controlled and related entities (the Group):

(a) The Qualitas Property Group is not a reporting entity;

(b) The financial statements and Notes, set out on pages 11 to 44:

(i) present fairly the financial position of the Qualitas Group as at 30 June 2020 and its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Notes 2; and

(ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Notes 1 to 3; and

(c) There are reasonable grounds to believe that the Qualitas Group will be able to pay its debts as and when they become due and payable;

2 In respect of the year ended 30 June 2020, the Qualitas Group has:

(a) kept its accounting records as to correctly record and explain its transactions and financial position;

(b) kept its accounting records so that financial statements of the Qualitas Group may be presented fairly in all material respects; and

(c) kept its accounting records so that the financial statements of the Qualitas Group can be conveniently and properly audited.

Signed in accordance with a resolution of the directors of Qualitas Property Partners Pty Ltd, on behalf of the Qualitas Group.

ASchwartz

Andrew Schwartz
Managing Director
Melbourne, 27 October 2020

Independent Auditor's Report

To the *members* of Qualitas Property Partners Pty Ltd

Opinion

We have audited the ***Financial Report*** of Qualitas Group (the *Group*).

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

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2020 and of its financial performance and its cashflows for the year ended on that date; and
- complying with Australian Accounting Standards to the extent described in Note 1 to 2 to the financial statements for the purpose of meeting the needs of the members.

The ***Financial Report*** comprises:

- Aggregated statement of financial position as at 30 June 2020
- Aggregated statement of profit or loss and other comprehensive income, Aggregated statement of changes in equity, and Aggregated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies

The ***Group*** consists of the Qualitas Property Partners Pty Ltd (the Company) and the entities it controlled at the year end or from time to time during the financial year including the aggregation of the group entities and their controlled entities set out in Note 16 to the financial statements.

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 Group in accordance with 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.

KPMG

Emphasis of matter – basis of preparation and restriction on use

We draw attention to Note 2 the Financial Report, which describe the basis of preparation.

The Financial Report has been prepared to assist the members of Qualitas Property Partners Pty Ltd for the purpose of meeting the needs of the members.

As a result, the Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the members of Qualitas Property Partners Pty Ltd and should not be used by or distributed to parties other than the members of Qualitas Property Partners Pty Ltd. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than the members of Qualitas Property Partners Pty Ltd or for any purpose other than that for which it was prepared.

Emphasis of matter – Departure from the application of Australian Accounting Standards in preparing the consolidated financial statements

Without further modifying our opinion expressed above, attention is drawn to the following matter. As disclosed in Note 2(b) the Qualitas Group aggregated financial statements depart from the measurement and recognition requirements of certain accounting standards.

Other Information

Other Information is financial and non-financial information in Qualitas Property Partners Pty Ltd.'s annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors 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 are responsible for:

- the preparation and fair presentation of the Financial Report is appropriate to meet the needs of the members and have determined that the basis of preparation described in Note 1 to 3 to the Financial Report is appropriate for the purpose of meeting the needs of the members.
- implementing necessary internal control to enable the preparation of a Financial Report that is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern 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 Group and Company 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 this 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/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Melbourne

27 October 2020

Qualitas Group

Aggregated Financial Report

For the year ended 30 June 2021

Qualitas Group Aggregation

Contents

30 June 2021

This financial report covers the entities that make up the Qualitas group ("Qualitas Group") for the financial year ended 30 June 2021.

The Qualitas Group's registered office is:
Level 18, 530 Collins Street
Melbourne, VIC 3000

The Qualitas Group's principal place of business is:
Level 38, 120 Collins Street
Melbourne, VIC 3000

Qualitas Group Aggregation

Statement of Profit or Loss and Other Comprehensive income

For the year ended 30 June 2021

QUALITAS

	Note	2021 $	2020 $
Interest income	*8*	19,158,548	22,273,259
Interest expense	*8*	(13,198,714)	(16,349,163)
Net interest income		**5,959,834**	**5,924,096**
Performance fees	*6a*	18,026,414	882,086
Income from the provision of financial services	*6b*	30,693,687	27,546,583
Other income	*7*	2,629,234	701,079
Unrealised gains - fair value through profit & loss		(2,183,704)	6,171,052
Total income from the provision of financial services		**49,165,631**	**35,300,800**
Loan impairment (expense)/reversal	15, 22	873,027	(840,038)
Operating expenses:			
Employee costs		(28,472,011)	(23,845,278)
Marketing and sales commission expenses		(374,043)	(59,930)
Consulting and professional fees		(1,201,141)	(1,626,431)
Travel expenses		(46,073)	(304,977)
Depreciation and amortisation		(7,654,668)	(2,316,411)
Other operating expenses		(5,525,052)	(4,865,679)
Total operating expenses		**(43,272,988)**	**(33,018,706)**
Equity accounted projects result for the year	28	-	(1,107,572)
Profit before income tax		**12,725,504**	**6,258,580**
Total income tax expense	*9*	(608,443)	(841,551)
Profit for the year		**12,117,061**	**5,417,029**
Other comprehensive income		-	-
Total comprehensive income for the year		**12,117,061**	**5,417,029**
Total comprehensive income attributable to:			
Owners of the Qualitas Group		12,476,280	7,901,892
Non-controlling interests	*27*	(359,219)	(2,484,863)
		12,117,061	**5,417,029**

The *Aggregated statement of profit or loss and other comprehensive income* is to be read in conjunction with the Notes to the aggregated financial statements.

Qualitas Group Aggregation

Aggregated statement of financial position

As at 30 June 2021

QUALITAS

	Note	2021 $	2020 $
Assets			
Cash and cash equivalents	*10*	31,491,391	17,010,892
Trade and other receivables	*11*	13,202,240	14,353,465
Prepayments		637,219	606,950
Income tax receivable		-	122,547
Right-of-use assets	*20*	2,390,214	3,073,952
Office equipment	*12*	460,844	654,769
Deferred tax asset	*9*	2,813,696	-
Accrued performance fees	*6a*	17,427,566	-
Inventories	*13*	23,711,187	23,143,496
Investments	*14*	28,880,791	30,592,257
Mortgage loans	*15*	408,181,764	437,806,902
Capitalised contract costs	*16*	4,947,255	10,341,286
Total assets		**534,144,167**	**537,706,516**
Liabilities			
Distribution payable		2,239,674	130,401
Trade and other payables	*17*	7,725,282	3,356,079
Deferred income	*18*	4,223,631	4,602,414
Employee benefits	*19*	14,533,272	2,967,157
Deferred tax liability	*9*	-	841,312
Lease liability	*20*	2,342,078	3,068,377
Loans and borrowings	*21*	454,881,537	478,947,058
Total liabilities		**485,945,474**	**493,912,798**
NET ASSETS		**48,198,693**	**43,793,718**
Equity			
Issued capital	23	18,475,434	20,975,434
Retained earnings		88,819,202	73,248,470
Distribution reserve	*3(a)(i)*	(59,095,943)	(53,883,857)
Total equity attributable to equity holders		**48,198,693**	**40,340,047**
Non-controlling interests	*27*	**-**	**3,453,671**
TOTAL EQUITY		**48,198,693**	**43,793,718**

The *Aggregated statement of financial position* is to be read in conjunction with the Notes to the aggregated financial statements.

Qualitas Group Aggregation

Aggregated statement of changes in equity

For the year ended 30 June 2021

	Issued capital $	Distribution reserve $	Retained earnings $	Total before non-controlling interests $	Non-controlling interests $	Total after non-controlling interests $
Balance at 1 July 2019	22,875,414	(48,220,626)	65,346,578	40,001,366	6,023,240	46,024,606
Total comprehensive income for the year						
Profit for the year	-	-	7,901,892	7,901,892	(2,484,863)	5,417,029
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	7,901,892	7,901,892	(2,484,863)	5,417,029
Transactions recorded directly in equity						
Contributions/(return) of capital	(1,899,980)	-	-	(1,899,980)	-	(1,899,980)
Change in non-controlling interest in subsidiary	-	-	-	-	-	-
Contributions by and distributions to owners of the Group						
Distributions to owners	-	(5,663,231)	-	(5,663,231)	-	(5,663,231)
Distributions to NCI – profits	-	-	-	-	-	-
Distributions to NCI – capital	-	-	-	-	(84,706)	(84,706)
Total transactions recorded directly in equity	(1,899,980)	(5,663,231)	-	(7,563,211)	(84,706)	(7,647,917)
Balance at 1 July 2020	**20,975,434**	**(53,883,857)**	**73,248,470**	**40,340,047**	**3,453,671**	**43,793,718**
Total comprehensive income						
Profit for the year	-	-	12,476,280	12,476,280	(359,219)	12,117,061
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	12,476,280	12,476,280	(359,219)	12,117,061
Transactions recorded directly in equity						
Contributions/(return) of capital	(2,500,000)	-	-	(2,500,000)	-	(2,500,000)
Change in non-controlling interest in subsidiary	-	-	3,094,452	3,094,452	(3,094,452)	-
Contributions by and distributions to owners of the Group			-			
Distributions to owners	-	(5,212,086)	-	(5,212,086)	-	(5,212,086)
Distributions to NCI – profits	-	-	-	-	-	-
Distributions to NCI – capital	-	-	-	-	-	-
Total transactions recorded directly in equity	(2,500,000)	(5,212,086)	3,094,452	(4,617,634)	(3,094,452)	(7,712,086)
Balance at 30 June 2021	**18,475,434**	**(59,095,943)**	**88,819,202**	**48,198,693**	**-**	**48,198,693**

The amounts recognised directly in equity are disclosed net of tax.

The *Aggregated statement of changes in equity* is to be read in conjunction with the Notes to the aggregated financial statements.

Qualitas Group Aggregation

Aggregated statement of cash flows

For the year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Interest received – Arch Finance		19,022,056	22,334,419
Interest paid – Arch Finance		(11,412,565)	(15,584,818)
Interest received – Qualitas Group		203,844	361,177
Interest paid – Qualitas Group		(1,789,415)	(1,487,194)
Receipts from provision of financial services and performance fees		35,091,141	25,371,909
Payments to suppliers, employees and others		(24,583,154)	(31,124,606)
Payments in relation to projects		(567,691)	(457,592)
Tax received/(paid)		(382,659)	158,214
Mortgage loans advanced		(70,720,449)	(108,027,700)
Mortgage loans repaid		101,218,613	64,616,391
Investments acquired / funds advanced		(7,294,562)	(3,984,960)
Investments disposed / funds repaid		6,358,038	3,897,550
Net cash provided by/(used in) operating activities	*31*	**45,143,197**	**(43,927,210)**
Cash flows from investing activities			
Receipts/(Payments) for fixed assets		(56,818)	(238,141)
Net cash provided by/(used in) investing activities		**(56,818)**	**(238,141)**
Cash flows from financing activities			
Payment of lease liabilities		(937,545)	(1,705,549)
Proceeds from loans and borrowings		41,456,017	95,603,369
Repayments of loans and borrowings		(65,521,539)	(44,470,636)
Distributions to shareholders of the parent – capital and profit		(5,602,813)	(7,563,211)
Distribution to NCI – capital and profits		-	(84,706)
Net cash provided by/(used in) financing activities		**(30,605,880)**	**41,799,267**
Net increase/(decrease) in cash and cash equivalents		**14,480,499**	**(2,386,084)**
Cash and cash equivalents at the beginning of the year		17,010,892	19,396,976
Cash and cash equivalents at the end of the year	*10*	**31,491,391**	**17,010,892**

The *Aggregated statement of cashflows* is to be read in conjunction with the Notes to the aggregated financial statements.

1. Reporting entity

The Qualitas Group (the "Group") is domiciled in Australia. The Group is 'for profit' and primarily involved in the provision of financial services and investment products to sophisticated investors.

In the opinion of the directors, the Group is not publicly accountable, nor a reporting entity, however directors have elected to have the financial report prepared as a general purpose – tier 1 financial report.

2. Basis of preparation

(a) Statement of compliance

This general purpose aggregated financial report has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) except for the departures as set out in Note 2(b) below.

The aggregated financial statements were authorised for issue by the Directors on 11 November 2021.

(b) Basis of aggregation

The aggregated financial report is for the Qualitas Group (the "Group") which consist of Qualitas Property Partners Pty Ltd, Qualitas Investments Unit Trust, and their respective controlled and related entities.

Qualitas Property Partners Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office is level 18, 520 Collins Street, Melbourne, Victoria, 3000. Its principal place of business is level 38, 120 Collins Street, Melbourne, Victoria, 3000.

Qualitas Investments Unit Trust is a unit trust, constituted in Australia. The Trustee of Qualitas Investments Unit Trust is Qualitas Investments Pty Ltd, which is a company incorporated and domiciled in Australia. Its registered office is level 18, 520 Collins Street, Melbourne, Victoria, 3000. Its principal place of business is level 38, 120 Collins Street, Melbourne, Victoria, 3000.

The individual entities comprising the Qualitas Group Aggregation are set out in Note 26.

(c) Basis of preparation

The Group does not have a separate single parent entity, however, both Qualitas Property Partners Pty Ltd and Qualitas Investments Unit Trust have common shareholders and unitholders. As a result of there being no parent entity, the aggregated financial statements have not been prepared on a consolidated basis, but rather, represent an aggregation of individual consolidated financial statements of Qualitas Property Partners Pty Ltd, Qualitas Investments Unit Trust, and their respective controlled and related entities. In all other respects, the aggregated financial statements have been prepared in accordance with the recognition, measurement and classification requirements of all applicable Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB). Intra-group balances and transactions within and between each of the two groups are eliminated in preparing the aggregated financial statements.

The Aggregated Statement of Financial Position is prepared with assets and liabilities presented in order of liquidity. Comparative amounts have been reclassified to order of liquidity to ensure consistency with the current year presentation.

2. Basis of preparation (continued)

(d) Basis of measurement

The aggregated financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value in the statement of financial position.

(e) Functional and presentation currency

These aggregated financial statements are presented in Australian dollars, which is the functional currency of the Group.

(f) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key judgements involve:

- the use of assumptions relating to the recoverable value of the Group's investments, including financial assets measured at amortised cost. The measurement of impairment of financial assets measured at amortised cost requires management's best estimate of any losses incurred or expected on the financial assets measured at amortised cost at reporting date. The Group measures loss allowances at an amount equal to the 12-month expected credit loss (ECL) where the credit risk of a financial asset has not increased significantly since initial recognition. The loss allowance is measured at an amount equal to lifetime expected credit losses where the credit risk of a financial asset has increased significantly since initial recognition. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort (Note 15);

- the use of key assumptions underlying the recoverability of capitalised project costs (Note 13 – Inventories). This involves estimation of forecast costs, sales and net profit from relevant projects; and

- the determination of the presentation of non-controlling interests as either debt or equity instruments can involve complex judgements about the non-controlling interests income distribution and capital redemption rights and obligations attached to interests held in subsidiaries of the Group.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests (“NCI”)
NCI are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date.

Classification of NCI as either debt or equity is based on the underlying rights and obligations of the NCI. Debt classification arises in the event the relevant controlled entity is a limited life entity, distributions of profit or contributed capital are mandatory or the NCI has a right to redeem its contributed capital. In the event of any of these conditions are not satisfied, equity classification may apply to the NCI.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

De facto agents
In assessing control, the Group has considered the nature of its relationship with other parties and those other parties are acting on the Group’s behalf (de facto agents). A party is a de facto agent when the Group (the investor) has, or those that direct the activities of the investor have, the ability to direct that party to act on the investor’s behalf. Under the accounting standard AASB 10, the Group has determined that the contractual relationship between ACS and AJS Real Estate Financier Unit Trust (“Financier Trust”) and Qualitas Property Partners Pty Ltd meets the criteria for consolidation as a de facto relationship exists between these entities.

Refer to Note 33 for changed to de facto control subsequent to the end of the financial year.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Business combinations (continued)

De facto agents (continued)
Qualitas Property Partners Pty Ltd (the Company) is the legal parent entity of the Qualitas Property Partners consolidated group. ACS and AJS Real Estate Financier Unit Trust ("Financier Trust") is consolidated by way of a de facto arrangement. The Financier Trust controls the group, whereby the Financier Trust can exert its influence over the commercial decisions of the group. The Company undertakes the primary activities and the Financier Trust provides the source of funds to achieve the common objective of the group.

Distribution reserve
The Distribution reserve records the cumulative amounts distributed by the ACS & AJS Financier Trust to its unitholders.

Transaction costs
Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred, except if related to the issue of debt or equity securities.

(ii) Special purpose entities

A special purpose entity (SPE) is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

(iii) Investments in associates and jointly controlled entities (equity accounted investees)

The Group's interests in equity-accounted investees comprise equity or receivables interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(iv) Joint operations - proportionate consolidation

The Group applies proportionate consolidation to jointly controlled entities, where the statement of financial position of the Group includes its share of the assets that are controlled jointly and its share of the liabilities for which it is jointly responsible. The statement of comprehensive income of the Group also includes its share of the income and expenses of the joint arrangement.

3. Significant accounting policies (continued)

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash.

(c) Financial instruments

(i) Recognition and initial measurement

The Group initially recognises trade and other receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified and measured at amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment (continued)

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit or loss.

(iii) Derecognition

Financial assets
The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Derecognition (continued)

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group 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.

(v) Issued capital

Ordinary shares and Trust units
Ordinary shares and Trust units are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and Trust units are recognised as a deduction from equity, net of any tax effects.

Dividends and Trust distributions
Dividends and Trust distributions are recognised as a liability in the period in which they are declared.

(vi) Equity plan arrangements

Equity plan arrangements are accounted for as equity instruments on the basis that the equity instruments are issued at a fair value issuance price and the terms of consideration paid or payable are set on an arm's length basis. The fair value of equity instruments that do not have a quoted market price in an active market is based on valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would consider in pricing a transaction.

(d) Office equipment

(i) Recognition and measurement

Items of office equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of office equipment have different useful lives, they are accounted for as separate items (major components) of office equipment.

Gains and losses on disposal of an item of office equipment are determined by comparing the proceeds from disposal with the carrying amount of office equipment and are recognised net within "other income" in profit or loss.

3. Significant accounting policies (continued)

(d) Office equipment (continued)

(ii) Subsequent costs

The cost of replacing a part of an item of office equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of office equipment is recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line and/or diminishing basis over the estimated useful lives of each part of an item of office equipment.

The estimated useful lives for the current and comparative periods are as follows:

	2021	**2020**
• Furniture, fixtures and fittings	2-8 years	2-8 years
• Computer equipment	2-4 years	2-4 years
• Computer software	2-4 years	2-4 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Capitalised contract costs

Capitalised contract costs comprising of revenue contract acquisition costs are initially recognised at cost and subsequently measured at cost less accumulated amortisation. The useful life of capitalised contract costs is treated as the period over which economic benefits are received by the Group, which is considered to be the term of the investment management agreement.

Capitalised contract costs currently recognised by the Group have a useful life of 10 years, which is the term of the investment management contract the costs relate to.

Incremental costs incurred by the Group are capitalised when the costs are incremental to winning a new contract with a customer and considered to be recoverable. All other costs are expensed when incurred.

Capitalised contract costs are impaired when their carrying amount exceeds the remaining amount of consideration that the Group expects to receive, less costs that relate directly to providing those services and that have not been recognised as expenses. All impairment losses are included in the carrying value of capitalised contract costs at each reporting period.

3. Significant accounting policies (continued)

(f) Impairment

(i) Non-derivative financial assets

Financial instruments

The Group recognises loss allowances for expected credit losses (“ECL’s”) on financial assets measured at amortised cost.

A financial asset is assessed at each reporting date to determine the expected credit loss. Where the credit risk on a financial asset has not significantly increased since initial recognition, a 12-month expected credit loss is applied. Where the credit risk on a financial asset has increased significantly since initial recognition, a lifetime expected credit loss is applied.

When determining whether credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers quantitative and qualitative information and analysis based on the Group’s historical experience and forward-looking information.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 90 days overdue.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The credit risk of a financial asset is considered to have increased significantly since initial recognition if it becomes greater than 30 days overdue.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

3. Significant accounting policies (continued)

(f) Impairment (continued)

(i) Non-derivative financial assets (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- principal and/or interest repayments more than 90 days overdue;
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognised in profit or loss. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant accounting policies (continued)

(g) Inventories

(i) Development projects

The asset includes the costs of acquisition, development, borrowings and all other costs directly related to specific projects, held for the purpose of resale. Borrowing and holding costs such as rates and taxes incurred after the completion of development and construction are expensed

(h) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(j) Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

(i) Income from the provision of financial services

Management fees are based on net assets under management in Qualitas funds at the end of the month. Management fee income is recognised over time as the performance obligations are satisfied by the Group. Management fees are variable and are recognised to the extent that it is highly probable a significant reversal will not subsequently occur.

Revenue from services rendered also consists of fees for transaction structuring, advisory services, commitment fees, arranger fees, mandate fees and exit fees on the provision of loans.

Revenue from services is recognised in profit or loss when the services are provided or on completion of the underlying transaction.

3. Significant accounting policies (continued)

(j) Revenue (continued)

(ii) Performance fees

Performance fees are estimated using the expected value approach based on the performance fee calculation methodology in the relevant investment management agreements and the expected performance of the fund. Performance fees are variable and therefore the estimated expected value is recognised to the extent that it is highly probable a significant reversal will not subsequently occur.

(iii) Development income

Revenue from the sale of residences and apartments is recognised on settlement date. This represents the point when the performance obligation relating to the sale of property has been satisfied and when significant risks, rewards of ownership and effective control have been transferred to the buyer.

(iii) Distributions

Distributions from investments in projects are recorded as revenue when the Group becomes contractually entitled to the distribution.

(k) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measure at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

3. Significant accounting policies (continued)

(k) Leases (continued)

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurements of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

3. Significant accounting policies (continued)

(l) Loans and borrowings

Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the loans and borrowings on an effective interest basis.

(m) Interest income and interest expense

Interest income relates to interest income on mortgage assets, investment loans, term deposits and bank balances. Interest income is recognised as it accrues, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and allocating the interest income included in the effective yield over the relevant period by using an effective interest rate which reflects a constant periodic return on the carrying amount of the asset.

Prepaid interest income is recognised in the aggregated statement of financial position as deferred income.

Interest expense comprises interest on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

(n) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised.

3. Significant accounting policies (continued)

(i) Tax consolidation

Certain entities that form part of the Aggregated Qualitas Group have formed a tax-consolidated group. As a consequence of forming a tax-consolidated group, all members of this group are taxed as a single entity. The head entity within the tax-consolidated group is Qualitas Property Partners Pty Ltd.

A tax-consolidated group was created in the Qualitas Investments Group as at 30 June 2018 with QFM Hold Co Pty Ltd as the head entity.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax consolidated group and are recognised by the company as amounts payable (receivable) to / (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the head entity as an equity contribution or distribution

The head entity recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(p) New and revised standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 July 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The new standards are not expected to have a significant impact on the Group's financial statements.

3. Significant accounting policies (continued)

(q) New Australian Accounting Standards and amendment standards that are effective in the current period

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period, except for those related to AASB 10 *Consolidated Financial Statements* on the basis that these are aggregated financial statements. The adoption of these Accounting Standards and Interpretations did not have any significant impact for the financial year ended 30 June 2021. Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(r) Changes in significant accounting policies and comparatives

The accounting policies have been consistently applied to all reporting periods presented.

Re-classifications of comparative amounts have been made to ensure consistency with current year classifications.

4. Review of operations

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

	2021	2020
Net profit for the year attributable to owners of the Qualitas Group	12,476,280	7,901,892
Distributions to owners of the Qualitas Group	(5,212,086)	(5,663,231)
Net earnings carried forward for owners of the Qualitas Group	7,264,194	2,238,661

Significant activities that took place during the financial year, which have had a material impact on the Qualitas Group's financial performance and position at 30 June 2021 included:

- In relation to the Spire Apartments Development, Qualitas formally exited the joint venture structure during the financial year ended 30 June 2021. All remaining apartments were sold in FY2020.

- Launch of Qualitas Convenience Retail Fund I on 22 February 2021 and commenced operating on 31 March 2021. The Fund invests in a retail property asset entered through interposed investment vehicles. The objective of the investment is to derive rental income via distributions from investee entities prior to exiting the investment through a sale event at the end of the Fund term, as set out in the current Information Memorandum, and in accordance with the provisions of the Fund's Trust Deed.

- Launch of the Qualitas BTR Impact Fund which was established on 17 February 2020 and commenced operating on 1 June 2021. The Fund is a multi-series Australian unregistered wholesale fund and was established to invest in a portfolio of loan assets secured by first ranking mortgages over Australian real estate in the Build to Rent ('BTR') sector, as set out in accordance with the provisions of the Fund's Trust Deed.

- In relation to Qualitas Land Debt Fund – Series 1, subsequent to year-end, the Directors of the Trustee exercised their power under the Trust Deed and terminated the Fund effective 31 August 2021. The wind up of the Fund was completed with assets realised and liabilities discharged in respect of Series 1 and the Fund as a whole.

- Qualitas Real Estate Income Fund successfully completed a placement of $54 million in value of new fully paid ordinary units to select existing and new wholesale investors. The additional capital has allowed the Group (as Investment Manager) to further grow and diversify the Trust's portfolio.

- The results reported in the accompanying aggregated financial statements reflect the earnings by the aggregated Qualitas Group and its investors, generated by its continued principal business activities, which included the sale and planned exit from projects as well as new investments and Funds undertaken by the Qualitas Group and its third party capital providers during the financial year under review.

- The Group returned capital to shareholders of the Company during the year of $2,500,000 (2020: $1,899,980).

5. Segment information

(a) Description of segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are reviewed regularly by the Group's Chief Operating Decision Maker in assessing performance and in determining the allocation of resources.

The Group has identified two operating segments being Funds Management and Direct Lending.

The Funds Management segment includes all of Qualitas' core funds management activities and includes funds management fees, performance fees and other fee income. It also includes dividends and distributions from Qualitas' Co-Investment and Direct Lending activities.

The Direct Lending segment relates to the interest income and expense relating to activities undertaken by Qualitas' wholly owned subsidiaries Arch Finance and Peer Estate and includes costs directly attributable to Arch Finance and Peer Estate.

Corporate activities are not viewed as a separate segment for financial reporting purposes, however, central overhead costs are shown as a separate item in the table below.

The segment information for the reportable segments for the year ended 30 June 2021 and 30 June 2020 is set out on the following pages.

QUALITAS

5. Segment information (continued)

(b) Segment overview

For the year ended 30 June 2021	Funds management	Direct lending	Corporate overhead	Total
				$
Interest income	256,094	18,902,454	-	19,158,548
Interest expense	(1,228,006)	(11,970,708)	-	(13,198,714)
Net interest income	(971,912)	6,931,746	-	5,959,834
Net revenue	47,166,139	1,999,492	-	49,165,631
Loan impairment expense	-	873,027	-	873,027
Total expenses	(26,358,256)	(6,601,947)	(10,312,785)	(43,272,988)
Segment profit	19,835,971	3,202,318	(10,312,785)	12,725,504

Segment financial position information

As at 30 June 2021	Funds management	Direct lending	Total
			$
Cash and cash equivalents	12,122,867	19,368,524	31,491,391
Mortgage loans	-	408,181,764	408,181,764
Investments	28,880,791	-	28,880,791
Other assets	63,103,806	2,486,415	65,590,221
Total assets reported by the aggregated Group	104,107,464	430,036,703	534,144,167
Loans and borrowings	31,907,857	422,973,680	454,881,537
Other liabilities	24,783,824	6,280,113	31,063,937
Total liabilities reported by the aggregated Group	56,691,681	429,253,793	485,945,474

5. Segment information (continued)

(b) Segment overview (continued)

For the year ended 30 June 2020	Funds management	Direct lending	Corporate overhead	Total
				$
Interest income	431,145	21,842,114	-	22,273,259
Interest expense	(998,046)	(15,351,117)	-	(16,349,163)
Net interest income	(566,901)	6,490,997	-	5,924,096
Net revenue	32,552,813	1,640,414	-	34,193,227
Loan impairment expense	-	(840,038)	-	(840,038)
Total expenses	(21,831,181)	(5,885,284)	(5,302,240)	(33,018,705)
Segment profit	10,154,731	1,406,089	(5,302,240)	6,258,580

Segment financial position information

As at 30 June 2020	Funds management	Direct lending	Total
			$
Cash and cash equivalents	6,044,336	10,966,556	17,010,892
Mortgage loans	-	437,806,902	437,806,902
Investments	30,592,257	-	30,592,257
Other assets	50,485,867	1,810,598	52,296,465
Total assets reported by the aggregated Group	87,122,460	450,584,056	537,706,516
Loans and borrowings	35,029,191	443,917,867	478,947,058
Other liabilities	6,731,826	8,233,914	14,965,740
Total liabilities reported by the aggregated Group	41,761,017	452,151,781	493,912,798

6. Income from the provision of financial services and performance fees

(a) Performance Fees

	2021	2020
	$	$
Performance fees	18,026,414	882,086
	18,026,414	882,086

Performance fees are variable consideration and are recognised to the extent that it is highly probable a significant reversal will not subsequently occur (variable consideration is constrained in accordance with AASB 15 *Revenue).* The Group is entitled to performance fees in accordance with its fund investment management agreements. Performance fees are typically payable by the fund when the fund has crystalised its investments and terminates. Therefore, the Group recognises performance fees in relation to a fund when that fund is nearing the final stages of its investment lifecycle and termination. Performance fee income is generally constrained up to the point when the final amount to be paid out of the fund is known.

Performance fees for the year ended 30 June 2021 relate to Qualitas Real Estate Opportunity Fund I, Qualitas Construction Debt Fund, Qualitas Real Estate Private Debt Fund – Series 7 (which terminated during the year) and other co-investment projects (2020: Qualitas Real Estate Private Debt Fund – Series 5, Series 6 and Series C1 and other co-investment projects).

Of the $18,026,414 performance fees recognised during the year, $17,427,566 is not yet received and has been recorded on the aggregated statement of financial position as accrued performance fees.

(b) Income from the provision of financial services

	2021	2020
	$	$
Arrangement, establishment and mandate fees	6,945,242	4,728,949
Management fees	20,607,047	17,931,653
Exit fees	27,490	308,672
Distributions from funds and projects	1,838,572	3,348,546
Portfolio and ancillary fees	1,275,336	1,228,763
	30,693,687	27,546,583

7. Other income

	2021	2020
	$	$
Digital Harbour CEO fees	180,000	180,000
Rental income	439,523	521,079
Success fee	1,000,000	-
Sundry income	538,023	-
GST refund	471,688	-
	2,629,234	701,079

8. Interest income and interest expense

	2021	2020
Interest income	**$**	**$**
Interest income on project loans, mortgages, bank balances and term deposits:		
- Arch Finance – mortgage loans	18,888,296	21,789,516
- Qualitas Group	270,252	483,743
Total interest income	19,158,548	22,273,259
Interest expense		
Interest expense on interest bearing notes - bank & other financial institutions	(11,409,299)	(14,744,780)
Interest expense on financier loans	(285,571)	-
Interest expense on project funding loans	(823,327)	(896,324)
Lease interest expense	(98,601)	(117,189)
Interest expense on Qualitas Real Estate Income Fund manager loan	(545,952)	(538,008)
Other interest expense	(35,964)	(52,862)
Total interest expense	(13,198,714)	(16,349,163)
Net interest income recognised in profit or loss	5,959,834	5,924,096

9. Income tax

(a) Reconciliation of income tax expense

	2021	2020
	$	**$**
Profit before income tax expense	12,725,504	6,258,580
Income tax using the Group's domestic tax rate of 30% (2020: 30%)	3,817,651	1,877,574
Non-assessable income to group	(1,770,615)	(642,105)
Non-deductible expenses	12,544	18,734
Tax losses (utilised and temporary differences recognised not previously brought to account and other items)	(1,451,137)	(412,652)
Income tax expense	608,443	841,551

	2021	2020
Income tax expense comprises:	**$**	**$**
Current tax	4,263,451	461,548
Deferred tax	(3,655,008)	380,003
Income tax expense	608,443	841,551
Effective tax rate	4.78%	13.45%

9. Income tax (continued)

(b) Movement of deferred tax

2021	Balance at 1 July $	Recognised in profit or loss $	Balance at 30 June $
Investments	(1,851,316)	2,645,712	794,396
Accrued performance fees	-	2,738,616	2,738,616
Capitalised contract costs	-	(682,962)	(682,962)
Employee benefits	463,487	1,063,767	1,527,254
Other items	546,517	(2,110,125)	(1,563,608)
	(841,312)	3,655,008	2,813,696

2020	Balance at 1 July $	Recognised in profit or loss $	Balance at 30 June $
Investments	(1,008,332)	(842,984)	(1,851,316)
Employee benefits	435,455	28,032	463,487
Other items	111,568	434,949	546,517
	(461,309)	(380,003)	(841,312)

10. Cash and cash equivalents

	2021 $	2020 $
Cash on hand	564	574
Cash at bank	31,490,827	17,010,318
Cash and cash equivalents	31,491,391	17,010,892

Cash at bank represents cash held by Qualitas Property Partners Pty Ltd and cash held in project bank accounts, where those entities have been consolidated in the Qualitas Group accounts in accordance with Australian Accounting Standards.

11. Trade and other receivables

	2021 $	2020 $
Trade receivables	4,456,929	2,119,860
Accrued income – Arch Finance Warehouse Trust	1,359,457	1,543,574
Accrued income – Qualitas Group	1,332,979	4,187,947
Recoverable fund costs	3,501,573	5,096,836
Sundry receivables	2,551,302	1,405,248
	13,202,240	14,353,465

12. Office equipment

	Office equipment
Cost	**$**
Balance at 1 July 2019	1,630,135
Additions	169,834
Disposals	-
Balance at 30 June 2020	1,799,969
Balance at 1 July 2020	1,799,969
Additions	56,823
Disposals	-
Balance at 30 June 2021	1,856,792
Accumulated deprecation	
Balance at 1 July 2019	864,370
Depreciation charge for the year	280,830
Disposals	-
Balance at 30 June 2020	1,145,200
Balance at 1 July 2020	1,145,200
Depreciation charge for the year	250,748
Disposals	-
Balance at 30 June 2021	1,395,948
Carrying amount	
As at 1 July 2019	765,765
As at 30 June 2020	654,769
As at 30 June 2021	460,844

13. Inventories

	2021	2020
	$	$
Development and capitalised project costs	23,711,187	23,143,496
	23,711,187	23,143,496

14. Investments

	2021 $	2020 $
Investments measured at amortised cost:		
Term deposits	398,756	769,878
Qualitas Construction Debt Fund	551,262	1,329,155
Co-Investments into loans held by Qualitas funds	796,303	1,141,854
	1,746,321	3,240,887
Investments measured at fair value through profit or loss:		
Digital Harbour Investments	5,493,868	8,444,190
Qualitas Real Estate Opportunity Fund I	5,117,138	8,397,643
Qualitas Real Estate Opportunity Fund II	4,275,530	-
Qualitas Food Infrastructure Fund	2,060,434	1,603,287
Qualitas Real Estate Income Fund	10,187,500	8,906,250
	27,134,470	27,351,370
Total investments	28,880,791	30,592,257

15. Mortgage loans

	2021 $	2020 $
Gross mortgage loans - held directly	409,401,781	439,899,946
Allowance for expected credit losses	(1,220,017)	(2,093,044)
Total mortgage loans – net of allowance for expected credit losses	408,181,764	437,806,902
Maturity analysis:		
No longer than three months	66,448,783	45,447,254
Longer than three months but no longer than twelve months	114,206,058	96,590,230
Longer than one year but no longer than three years	227,526,923	295,769,418
Total mortgage loans	408,181,764	437,806,902
Allowance for expected credit losses – 1 July	(2,093,044)	(1,253,006)
Decrease/(Increase) in allowance during the year	873,027	(840,038)
Write-offs	-	-
Allowance for expected credit losses – 30 June	(1,220,017)	(2,093,044)

	12-month ECL applied $	Lifetime ECL applied $	Total $
As at 30 June 2021			
Gross mortgage loans			
Gross mortgage loans balance	406,384,281	3,017,500	409,401,781
Allowance for expected credit loss	(1,218,401)	(1,616)	(1,220,017)
Total	405,165,880	3,015,884	408,181,764

15. Mortgage loans (continued)

	12-month ECL applied $	Lifetime ECL applied $	Total $
As at 30 June 2020			
Gross mortgage loans			
Gross mortgage loans balance	439,152,446	747,500	439,899,946
Allowance for expected credit loss	(2,093,044)	-	(2,093,044)
Total	437,059,402	747,500	437,806,902

As at 30 June 2021, there are three loans with a combined value of $3,017,500 that are greater than 30 days in arrears (significant increased credit risk since initial recognition). Subsequent to 30 June 2021, the mortgaged property of one of the loans totalling $1,917,500 was sold/settled on 1 July 2021. Based on the sales price achieved subsequent to year-end and estimated selling costs, the loan balance is fully recoverable.

The second loan with a value of $630,000 has an expected credit loss allowance of $1,177. Loan extension was refused and a forbearance agreement is in place to which borrower is making monthly principal reductions. The loan balance is considered recoverable to the extent of the expected credit loss recognised.

The third loan has a value of $470,000 with an expected credit loss allowance of $439. The loan has been classified in arrears from 22 March 2021 with a notice issued for full repayment. Solicitors have been engaged to issue demands with a view of appointing a mortgagee-in-possession agent. Based on the security value equating to a loan-to-value ratio of 13.8% the loan balance is considered recoverable to the extent of the expected credit loss recognised.

As at 30 June 2020, there was a loan to the value of $747,500 that was 30 days in arrears. Subsequent to 30 June 2020, the mortgaged property was sold. There was no credit loss incurred.

16. Capitalised contract costs

	Capitalised contract costs $
Opening net book amount at 1 July 2019	8,539,740
Additions	2,954,923
Amortisation charge	(1,153,377)
Closing net book amount at 30 June 2020	10,341,286
Opening net book amount at 1 July 2020	10,341,286
Additions	-
Amortisation charge	(5,394,031)
Closing net book amount at 30 June 2021	4,947,255

17. Trade and other payables

	2021 $	2020 $
Trade payables	119,595	82,954
Interest payable on Notes – Arch Finance	1,047,107	1,152,887
Sundry payables	2,300,817	1,596,763
GST payable	499,518	523,475
Income tax payable	3,758,245	-
	7,725,282	3,356,079

18. Deferred income

	2021 $	2020 $
Prepaid interest - Arch Finance	2,582,308	3,215,011
Prepaid management fees	1,641,323	1,387,403
	4,223,631	4,602,414

19. Employee benefits

	2021 $	2020 $
Salaries, wages and bonuses accrued[(1)]	12,172,658	1,022,038
Liability for annual leave	1,272,499	1,005,974
	13,445,157	2,028,012
Liability for long-service leave	1,088,165	939,145
Total employee benefit liabilities	14,533,322	2,967,157

(1) Accrued bonuses include amounts accrued in relation to performance fee bonuses payable to employees of the Group.

The present value of employee benefits not expected to be settled within twelve months of balance date have been calculated using the following inputs or assumptions at the reporting date:

	2021	2020
Assumed rate of increase in wages/salaries	2.95%	4.25%
Discount rate	1.14%	0.68%
Settlement term	7 years	7 years

20. Leases

The Group has entered into commercial property leases for its office accommodation. These leases have a remaining life of up to 4 years. The Group has no other capital or lease commitments.

	2021	2020
Right of use assets	**$**	**$**
Balance at 1 July	3,073,952	3,968,937
Depreciation charge for the year	(904,122)	(894,985)
Additions to right-of-use assets	220,384	-
Balance at 30 June	2,390,214	3,073,952

	2021	2020
Lease liabilities	**$**	**$**
Balance at 1 July	3,068,377	3,968,937
Interest on lease liabilities during the year	98,601	117,189
Additions to lease liabilities	220,384	-
Rent payments	(1,045,284)	(1,017,749)
Balance at 30 June	2,342,078	3,068,377

	2021	2020
Amounts recognised in profit or loss	**$**	**$**
Depreciation on right-of-use assets	904,122	894,986
Interest in lease liabilities	98,601	117,189
Expenses relating to short-term leases	-	-
	1,002,723	1,012,175

	2021	2020
Amounts recognised in statement of cash flows	**$**	**$**
Total cash outflows for leases	937,545	1,705,549

21. Loans and borrowings

	2021	2020
	$	**$**
Interest bearing notes – bank & other financial institutions	418,520,824	439,293,855
Project funding loans	21,121,440	20,510,000
Qualitas Real Estate Income Fund manager loan	11,417,481	11,228,760
Financier loans	3,821,792	7,914,443
	454,881,537	478,947,058

Interest bearing notes – bank & other financial institutions
At 30 June 2021, the Interest bearing notes collectively have an effective limit available for drawing of $480,851,063 (2020: $480,851,063) and are issued as agreed by the Class A Subscriber, Class B Subscribers, Class C Subscribers and the Arch Finance Warehouse Trust. The proceeds of Class A, B and C notes issued are advanced as mortgage loans with a term not exceeding three years and are secured by registered first mortgages over real property. Interest is charged at BBSY plus a margin.

The Classes A and B notes are repayable on the repayment of the mortgage loans which have a maximum term of three years. The availability period for the Class A, Class B and Class C notes as at 30 June was 30 September 2021 and has been extended to 30 September 2022 subsequent to year-end.

The Group may request between 7 and 8 months before the current availability period matures an extension to the availability period of no longer than 364 days after the current availability period.

22. Financial risk management

(a) Overview

The Group’s activities expose it to a variety of financial risks. The Group has in place a framework to identify and manage the financial risks in accordance with the its investment objective and strategy. This includes an investment due diligence process and on-going monitoring of the investments and transactions of the Group. Specific processes and controls the Group 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 Group's exposure to credit risk for cash and cash equivalents and term deposits 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 Group is also exposed to credit risk primarily on loans secured by first mortgage through its Arch Finance business and debt securities through its investments, projects and other Qualitas funds. There is also credit risk exposure in the Group’s other investments held at amortised cost, however these are not significant. Credit risk on trade and other receivables is managed through the Group’s investment management activities as the significant portion of receivables relates to receivables from Qualitas funds.

As part of its extensive investment processes, the Group 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 Group applies a selective investment filtering and 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; and
- 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 Group undertakes a formal review process of individual loans on a regular basis, determining which loans are performing, underperforming, or are impaired. The Group 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 adopted by the Group is implemented with the expectation of seeking to reduce the Group’s exposure to both credit and market risks. The Group adheres to the portfolio investment parameters set out in the relevant funding agreements 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 terms of the interest bearing notes (refer to Note 21) used to fund the mortgage loans include loan eligibility criteria. This includes maximum loan-to-value ratios of 70%, geographical diversification guidelines and limits and guidelines and limits on the type of property secured against the loans.

22. Financial risk management (continued)

(b) Credit risk (continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset held at amortised cost in the Aggregated Statement of Financial Position as outlined below:

	2021 $	2020 $
Cash and cash equivalents	31,491,391	17,010,892
Trade and other receivables	13,202,240	14,353,465
Investments measured at amortised cost:		
Term deposits	398,756	769,878
Qualitas Construction Debt Fund	551,262	1,329,155
Other	796,303	1,141,854
	46,439,952	34,605,244

The ageing of trade receivables and mortgage loans at reporting date is outlined below:

	2021		2020	
	Gross amount	*Allowance for ECL*	*Gross amount*	*Allowance for ECL*
	$	$	$	$
Ageing of trade and other receivables				
Not past due	13,202,240	-	14,353,465	-
Ageing of mortgage loans				
Not past due (12-month ECL)	406,384,281	1,218,401	439,152,446	2,093,044
0-30 days past due (12-month ECL)	-	-	747,500	-
More than 30 days past due (lifetime ECL)	3,017,500	1,616	-	-

The Group's accounting policy for credit impairment is outlined in Note 3(f).

To measure the expected credit loss (ECL) the Group uses a credit loss model. The key model inputs used in measuring the ECL include:

- Exposure at Default (EAD): represents the calculated exposure in the event of a default. The EAD for mortgage loans is the principal amount outstanding at reporting date.
- Probability of Default (PD): the development of PDs is developed at a portfolio level considering shared credit risk characteristics and applies economic forecast factors.
- Loss Given Default (LGD): the LGD is the magnitude of the ECL in a default event. The LGD is estimated using estimated sales prices less costs to sell of the underlying secured property.

In estimating the key inputs above, consideration is given to the economic environment. An economic cycle factor is applied to the ECL calculation which considers a low, medium or high range depending on current economic forecast information on economic factors such as unemployment, GDP growth and inflation.

22. 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 Group is exposed to price risk through its co-investments in Qualitas funds and other equity investments.

Prices are monitored by the Group through its investment management processes of the relevant Qualitas funds. For other equity investments, prices are monitored through regular reporting from the equity project manager.

Sensitivity analysis – price risk

At 30 June 2021, it is estimated that a 10% decrease in equity prices would decrease the Group's profit before income tax by approximately $2,713,447 (2020: $2,735,137 decrease to profit) and would decrease equity by approximately $1,899,413 (2020: $1,914596 decrease to equity). A 10% increase in equity prices would have an equal but opposite effect.

(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 2021, the Group did not hold any significant assets or liabilities denominated in currencies other than the Australian Dollar and therefore was not exposed to any significant 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 Group invests and borrows at both floating and fixed rates. 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 Group's exposure to interest rates risks as at 30 June 2021 and 30 June 2020, including the Group's assets and liabilities at fair values.

22. Financial risk management (continued)

(c) Market risk (continued)

(iii) Interest rate risk (continued)

2021	**Average effective interest rate %**	**Carrying amount $**
Fixed rate instruments		
Qualitas Real Estate Income Fund manager loan	5.00	(11,417,481)
Financier loans	10.00	(3,821,792)
Variable rate instruments		
Mortgage loans	4.47	408,181,764
Interest bearing notes	2.66	(418,520,824)
Project funding loans	3.96	(21,121,440)

2020	**Average effective interest rate %**	**Carrying amount $**
Fixed rate instruments		
Qualitas Real Estate Income Fund manager loan	5.00	(11,228,760)
Financier loans	10.00	(7,914,443)
Variable rate instruments		
Mortgage loans	5.22	437,806,902
Interest bearing notes	3.54	(439,293,855)
Project funding loans	4.44	(20,510,000)

(iv) Sensitivity analysis – interest rate risk

At 30 June 2021, it is estimated that a general increase of one-percentage point in interest rates on variable rate instruments would decrease the Group's profit before income tax by approximately $314,605 (2020: $219,970 decrease to profit) and would decrease equity by approximately $220,224 (2020: $154,157 decrease to equity).

A general decrease of one-percentage point in interest rates on variable rate instruments would have an equal but opposite effect.

22. Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group monitors its cash flow requirements and undertakes cash flow forecasts. Sufficient cash balances are maintained at all times.

Cash flow reconciliations are undertaken monthly 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 2021 and 30 June 2020:

	Carrying amount	Contractual cashflow	Less than 3 months	3 to 12 months	1 to 3 years	3 to 5 years
As at 30 June 2021	**$**	**$**	**$**	**$**	**$**	**$**
Financial liabilities						
Distributions payable	2,239,674	2,239,674	2,239,674	-	-	-
Trade and other payables	7,725,282	7,725,282	3,967,037	3,758,245	-	-
Loans and borrowings	454,881,537	454,881,537	72,338,551	139,374,863	237,908,385	5,259,738
	464,846,493	464,846,493	78,545,262	143,133,108	237,908,385	5,259,738
As at 30 June 2020						
Financial liabilities						
Distributions payable	130,401	130,401	130,401	-	-	-
Trade and other payables	3,356,079	3,356,079	3,356,079	-	-	-
Loans and borrowings	478,947,058	478,947,058	53,849,579	97,918,869	321,286,291	5,892,319
	482,433,538	482,433,538	57,336,059	97,918,869	321,286,291	5,892,319

22. Financial risk management (continued)

(d) Fair value measurement

The Group 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.

(i) 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.

22. Financial risk management (continued)

(c) Fair value measurement (continued)

Recognised fair value measurements

The table below sets out the Group's financial assets and liabilities according to the fair value hierarchy at 30 June 2021 and 30 June 2020.

As at 30 June 2021	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets at fair value through profit or loss				
Digital Harbour Investments	-	-	5,493,868	5,493,868
Qualitas Real Estate Opportunity Fund I	-	5,117,138	-	5,117,138
Qualitas Real Estate Opportunity Fund II	-	4,275,530	-	4,275,530
Qualitas Food Infrastructure Fund	-	2,060,434	-	2,060,434
Qualitas Real Estate Income Fund	10,187,500	-	-	10,187,500
Financial assets not measured at fair value				
Mortgage loans	-	-	408,181,764	408,181,764
Term deposits	-	-	398,756	398,756
Qualitas Construction Debt Fund	-	-	551,262	551,262
Other	-	-	796,303	796,303
Total financial assets	10,187,500	11,453,102	415,421,953	437,062,555

As at 30 June 2020	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets at fair value through profit or loss				
Digital Harbour Investments	-	-	8,444,190	8,444,190
Qualitas Real Estate Opportunity Fund I	-	8,397,643	-	8,397,643
Qualitas Food Infrastructure Fund	-	1,603,287	-	1,603,287
Qualitas Real Estate Income Fund	8,906,250	-	-	8,906,250
Financial assets not measured at fair value				
Mortgage loans	-	-	437,806,902	437,806,902
Term deposits	-	-	769,878	769,878
Qualitas Construction Debt Fund	-	-	1,329,155	1,329,155
Other	-	-	1,141,854	1,141,854
Total financial assets	8,906,250	10,000,930	449,491,979	468,399,159

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

Transfers between levels

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between the levels in the fair value hierarchy during the reporting period.

22. Financial risk management (continued)

(c) Fair value measurement (continued)

Level 3 financial assets

The Group holds one investment (Digital Harbour Investments) classified as level 3 in the fair value measurement hierarchy. The investment is an equity investment in an unlisted entity. The inputs used by the Group to estimate fair value include the net asset value of the underlying entities which are largely driven by property valuations.

The amount recognised in profit or loss in relation to unrealised gains and losses on this investment for the year ended 30 June 2021 was $2,950,322 loss (2020: $7,172,216 gain).

There were no purchases or sales of level 3 financial assets during the year (2020: nil).

23. Capital, reserves and distributions

(a) Capital

Issued capital	**2021 $**	**2020 $**
Balance at 1 July	20,975,434	22,875,414
Returns of capital	(2,500,000)	(1,899,980)
Closing at 30 June	18,475,434	20,975,434

Issued capital of the aggregated Group is represented by the following:

	2021 Number of shares/units	**2020 Number of shares/units**
Ordinary shares in Qualitas Property Partners Pty Ltd at 1 July	1,629,700	1,629,700
Units in Qualitas Investments Unit Trust at 1 July	3,989,958	3,989,958
Movements in shares/units	-	-
Ordinary shares in Qualitas Property Partners Pty Ltd at 30 June	1,629,700	1,629,700
Units in Qualitas Investments Unit Trust at 30 June	3,989,958	3,989,958

The holders of ordinary shares in Qualitas Property Partners Pty Ltd (the Company) and units in Qualitas Investments Unit Trust (the Trust) are the same entities. Refer to Note 30 Related Party Transactions for further information.

The holders of ordinary shares in Qualitas Property Partners Pty Ltd are entitled to receive dividends as declared from time to time by the Company and are entitled to a net residual interest in the net assets of the Company.

The holders of units in Qualitas Investments Unit Trust are entitled to receive distributions as declared from time to time by the Trust and are entitled to a net residual interest in the net assets of the Trust.

23. Capital, reserves and distributions (continued)

(a) Capital (continued)

The Group's policy is to maintain a strong capital base to support the future development of the business. Capital consists of the issued capital on shares and units, retained earnings and distribution reserve. When considered appropriate by the directors, capital is returned.

(b) Reserves

Distribution reserve
The distribution reserve records the cumulative amounts distributed by the Group. Distributions are made by Qualitas Investments Unit Trust and via the ACS and AJS Real Estate Financier Unit Trust, which is consolidated by way of a de facto arrangement (refer to note 3(a)(i)).

Retained earnings
Retained earnings represents accumulated retained earnings of the Group. Distributions are accounted for in the distribution reserve and are not directly accounted for in retained earnings.

(c) Distributions

Distributions are made to unitholders of Qualitas Investments Unit Trust and the ACS and AJS Real Estate Financier Unit Trust. Distributions recognised in the current year by the Group are:

	2021 $	**2020 $**
Distributions	5,212,086	5,663,231

24. Commitments

(a) Non-cancellable operating leases

Commitments for minimum lease payments in relation to noncancellable operating leases are payable as follows:	**2021 $**	**2020 $**
Within one year	839,996	808,985
Later than one year but no later than five years	1,632,590	2,472,586
Later than five years	-	-
Commitments for minimum lease payments in relation to noncancellable operating leases	2,472,586	3,281,571

The Group leases operational sites under noncancellable operating leases within one year to later than five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

24. Commitments (continued)

(b) Other commitments

	2021 $	2020 $
Uncalled amounts on partly paid units in Qualitas Funds	11,671,111	14,597,357
Committed credit	296,363	590,243
Other commitments	11,967,474	15,187,600

25. Contingent liabilities and contingent assets

The Group is subject to a number of obligations which, if not discharged, may give rise to potential claims or other costs. Where some loss from an actual or alleged non-performance of an obligation is more likely than not and can be reliably estimated, provisions have been made. The Group considers that the outcome of any specific enquiry which is underway as at 30 June 2021, and has not been provided for, is not expected to affect its financial position in any material way, either individually or in aggregate.

26. Group entities

At the reporting date, the aggregation of the Qualitas Group comprised two consolidated groups including the following entities:

Qualitas Investments Group

		2021	2020
Parent entity	*Trust Entity*		
Qualitas Investments Pty Ltd	Qualitas Investments Unit Trust	✓	✓
Controlled Trustee Entities and Trusts			
Trustee	*Trust Entity*		
Treasury Finance Pty Ltd	Treasury Finance Unit Trust	✓	✓
Arch Finance Pty Ltd	Arch Finance Unit Trust	✓	✓
	Arch Finance Warehouse Trust	✓	✓
QEP DHH Investor B Pty Ltd	QEP DHH Investor B Unit Trust	✓	✓
Controlled entities			
QFM Hold Co Pty Ltd		✓	✓
Qualitas Funds Management Pty Ltd		✓	✓
Qualitas REO Fund Manager Pty Ltd		✓	✓
QREO Nominee Pty Ltd		✓	✓
Peer Estate Pty Ltd		✓	✓
QREO Fixed Pty Ltd		✓	✓
QREO Fixed A Pty Ltd		✓	✓
QREO Growth Pty Ltd		✓	✓
QREO Growth A Pty Ltd		✓	✓
Peer Estate Administrators Pty Ltd		✓	✓
Peer Estate Investor Pty Ltd		✓	✓
Peer Estate IP Pty Ltd		✓	✓
Peer Estate Finance Pty Ltd		✓	✓
Peer Estate Mortgages Pty Ltd		✓	✓
Peer Estate Pool Pty Ltd		✓	✓
QCD Fund Manager Pty Ltd		✓	✓
QCD Fund Pty Ltd		✓	✓
QSD Fund Feeders Pty Ltd		✓	✓
QSD Fund Manager Pty Ltd		✓	✓
QSD Fund Pty Ltd		✓	✓
Qualitas Discretionary Funds Management Pty Ltd		✓	✓
QFI Fund Manager Pty Ltd		✓	✓
QFI Fund Pty Ltd		✓	✓
QFI Property Fund Pty Ltd		✓	✓
QLA Manager Pty Ltd		✓	✓
QRI Manager Pty Ltd		✓	✓
QRI Fund Services Pty Ltd		✓	✓
QUMF Fund Manager Pty Ltd		✓	✓
QMD Fund Manager Pty Ltd		✓	✓
QLDF Manager Pty Ltd		✓	✓
QSH No.1 Manager Pty Ltd		✓	✓
Qualitas Administrators (NZ) Pty Ltd (previously BTR Impact Fund Manager)		✓	✓

26. Group entities (continued)

Qualitas Property Partners Group

	2021	2020
Parent entity		
Qualitas Property Partners Pty Ltd	✓	✓
Controlled Entities		
3 Carrington Road Pty Ltd & 3 Myrtle St Pty Ltd	✓	✓
Digital Harbour (Holdings) Pty Ltd	✓	✓
Digital Harbour Investments Pty Ltd ATF Digital Harbour Investments Trust	✓	✓
Fawkner Centre Residences Pty Ltd (transferred to external party)	-	✓
Fawkner Centre Residences Unit Trust (transferred to external party)	-	✓
Hollywood Apartments Pty Ltd	✓	✓
Hollywood Apartments Unit Trust	✓	✓
One Point Piper Pty Ltd ATF One Point Piper Unit Trust*	-	✓
Parliament Square Hobart Landowner Pty Ltd ATF Parliament Square Hobart Trust*	-	✓
QEP 499 Holdings Pty Ltd*	-	✓
QEP 499 Holdings Unit Trust*	-	✓
QEP 499 Mezz Co Pty Ltd*	-	✓
QEP 499 Mezz Co Unit Trust*	-	✓
QEP 499 Pref Co Pty Ltd*	-	✓
QEP 499 Pref Co Unit Trust*	-	✓
QEP Bondi Junction Investor Pty Ltd	✓	✓
QEP Bondi Junction Investor Unit Trust	✓	✓
QEP Bondi Junction Manager Pty Ltd	✓	✓
QEP Bondi Junction Pty Ltd	✓	✓
QEP Bondi Junction Unit Trust	✓	✓
QEP Bondi Junction Unit Trust No. 2	✓	✓
QEP Bouverie St Investor Unit Trust*	-	✓
QEP Bouverie St. Investor Pty Ltd*	-	✓
QEP Bouverie St. Manager Pty Ltd*	-	✓
QEP Bouverie St. Pty Ltd*	-	✓
QEP Bouverie St. Unit Trust*	-	✓
QEP Development Services (Bondi) Pty Ltd*	-	✓
QEP DHH Pty Ltd	✓	✓
QEP DHH Unit Trust	✓	✓
QEP Fawkner Investor Pty Ltd*	-	✓
QEP Fawkner Manager Pty Ltd*	-	✓
QEP Fawkner Pty Ltd*	-	✓
QEP Fawkner Unit Trust*	-	✓
QEP First Mortgage Enhancement Pty Ltd	✓	✓
QEP First Mortgage Enhancement Unit Trust	✓	✓
QEP Marrickville No.2 Pty Ltd	✓	✓
QEP Marrickville Pty Ltd	✓	✓
QEP Marrickville Unit Trust	✓	✓
QEP Marrickville Unit Trust No. 2	✓	✓
QEP Point Piper Pty Ltd*	-	✓
QEP Point Piper Unit Trust*	-	✓
QEP Spire Apartments Financier Pty Ltd	✓	✓
QEP Spire Apartments Investor Pty Ltd	✓	✓
QEP Spire Apartments Investor Unit Trust	✓	✓
QEP Spire Apartments Manager Pty Ltd	✓	✓
QEP Spire Apartments Pty Ltd	✓	✓
QEP Spire Apartments Unit Trust	✓	✓
QPP Pagewood Pty Ltd	✓	✓

*Entities deregistered during the 2021 financial year.

26. Group entities (continued)

	2021	2020
Qualitas Property Partners Group (continued)		
QREF Mezzanine Debt No.16 Pty Ltd*	-	✓
QREF Senior Debt No.17 Pty Ltd	✓	✓
QREF Senior Debt No.18 Pty Ltd*	-	✓
QREF Senior Debt No.19 Pty Ltd	✓	✓
QREF Senior Debt No.20 Pty Ltd	✓	✓
QREF Senior Debt No.21 Pty Ltd*	-	✓
QREF Senior Debt No.22 Pty Ltd*	-	✓
QREF Senior Debt No.23 Pty Ltd	✓	✓
QREF Senior Debt No.24 Pty Ltd*	-	✓
QREF Senior Debt No.25 Pty Ltd	✓	✓
QREF Senior Debt No.26 Pty Ltd	✓	✓
QREF Senior Debt No.27 Pty Ltd	✓	✓
QREF Senior Debt No.29 Pty Ltd	✓	✓
QRP Equity Securities Pty Ltd*	-	✓
QRP Equity Securities Unit Trust	✓	✓
Qualitas Administrators Pty Ltd	✓	✓
Qualitas Advisory Pty Ltd	✓	✓
Qualitas CDF investor Pty Ltd	✓	✓
Qualitas Equity Partners Pty Ltd	✓	✓
Qualitas Equity Partners Unit Trust	✓	✓
Qualitas Funds Management Pty Ltd	✓	✓
Qualitas Management Services Pty Ltd	✓	✓
Qualitas Property Partners Pty Ltd	✓	✓
Qualitas Real Estate Finance Pty Ltd	✓	✓
Qualitas Real Estate Finance Trust	✓	✓
Qualitas REIT Partners Pty Ltd	✓	✓
Qualitas REIT Partners Unit Trust	✓	✓
Qualitas Securities Pty Ltd	✓	✓
QPP Pagewood Finance Pty Ltd	✓	✓
QUSOF Investor Pty Ltd	✓	✓
QUSOF Investor II Pty Ltd	✓	✓
QUSOF Bridge Pty Ltd	✓	✓
QREOF II Bridge Pty Ltd	✓	-
QREOF II Investor Pty Ltd	✓	-

The following groups are also consolidated by Qualitas Property Partners Pty Ltd.

ACS & AJS Real Estate Group

Trustee	*Trust Entity*	2021	2020
Qualitas Pty Ltd	ACS & AJS Real Estate Financier Unit Trust	✓	✓
ACS Qualitas Management Pty Ltd	ACS Qualitas Management Trust	✓	✓

Qualitas Capital Partners Group

Trustee	*Trust Entity*	2021	2020
Qualitas Capital Partners Pty Ltd	Qualitas Capital Partners Unit Trust	✓	✓

*Entities deregistered during the 2021 financial year.

27. Non-controlling interests

Non-controlling interests represents amounts recognised in the Qualitas Group financial statements that are attributable to external parties. Non-controlling interests arise upon consolidation of 100% of the controlled entities' net assets and net profit or loss for the reporting period, but where the Qualitas Group does not hold a 100% interest in the underlying entities.

There were no non-controlling interests in the Group as at 30 June 2021.

Net Assets as at 30 June 2020

	Net assets Attributable to controlling interest (Qualitas Group)	Net assets Attributable to non-controlling interest (external parties)	Total Net Assets recognised on the Statement of Financial Position
	$	$	$
QEP Bondi Junction Unit Trust	33,084	109,400	142,484
QEP Bondi Junction Unit Trust No.2	57,565	152,539	210,104
Hollywood Apartments Unit Trust	(55,135)	55,542	407
QEP Spire Apartments Unit Trust	26,048	281,470	307,518
QEP Fawkner Unit Trust	(111,872)	111,872	-
QEP 499 Pref Co Unit Trust	(563,844)	563,844	-
Total prior to consolidation adjustments	(614,154)	1,274,667	660,513
Adjustments:			
- Consolidation adjustments	(335,493)	2,179,004	1,843,511
Total after consolidation adjustments	(949,647)	3,453,671	2,504,024

Net Profit/(Loss) for the year ended 30 June 2021

	Net Profit/(Loss) Attributable to controlling interest (Qualitas Group)	Net Profit/(Loss) Attributable to non-controlling interest (external parties)	Total Net Profit/(Loss) recognised in the Statement of Profit or Loss
	$	$	$
QEP Bondi Junction Unit Trust	(5,002)	(16,673)	(21,675)
QEP Bondi Junction Unit Trust No.2	(19,848)	(66,402)	(86,250)
QEP Spire Apartments Unit Trust	(67,540)	(270,151)	(337,691)
Total prior to consolidation adjustments	(92,390)	(353,226)	(445,616)
Adjustments:			
- Consolidation adjustments	-	(5,993)	(5,993)
Total after consolidation adjustments	(92,390)	(359,219)	(451,609)

27. Non-controlling interests (continued)

Net Profit/(Loss) for the year ended 30 June 2020

	Net Profit/(Loss) Attributable to controlling interest (Qualitas Group)	Net Profit/(Loss) Attributable to non-controlling interest (external parties)	Total Net Profit/(Loss) recognised in the Statement of Profit or Loss
	$	$	$
QEP Bondi Junction Unit Trust No.2	62	209	271
QEP Spire Apartments Unit Trust	(202,894)	(2,027,737)	(2,230,631)
QEP Fawkner Unit Trust	(82,569)	(457,450)	(540,019)
QEP 499 Mezz Co Unit Trust	21	115	136
Total prior to consolidation adjustments	(285,380)	(2,484,863)	(2,770,243)
Adjustments:			
- Consolidation adjustments	-	-	-
Total after consolidation adjustments	(285,380)	(2,484,863)	(2,770,243)

Refer to Note 3(a)(i) for the accounting treatment of non-controlling interests.

28. Equity accounted entities

The Qualitas Group holds investments in associates and jointly controlled entities as follows:

Entity name:	2021 % held	2020 % held
Spire Apartments Unit Trust	0	50

The Group exited the Spire Apartments Unit Trust join venture during the year ended 30 June 2021. All property sales were completed by 30 June 2020.

29. 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 Group considers its co-investments into unconsolidated Qualitas funds to be investments into structured entities.

The exposure to investments in Qualitas funds is at fair value, and any related amounts recognised in the statement of comprehensive income is disclosed at Note 6 to the financial statements.

The exposure to investments in Qualitas funds at fair value that the Group does not consolidate but in which it holds an interest is disclosed in the following table:

	2021	2020
	$	$
Qualitas Real Estate Opportunity Fund I	5,117,138	8,397,643
Qualitas Real Estate Opportunity Fund II	4,275,530	-
Qualitas Food Infrastructure Fund	2,060,434	1,603,287
Qualitas Real Estate Income Fund	10,187,500	8,906,250
	21,640,602	18,907,180

29. Structured entities (continued)

The fair value of the investment into Qualitas funds is included in the investments line in the aggregated statement of financial position and is held at fair value through profit or loss.

The Group's maximum exposure to loss from its interest in Qualitas funds is equal to the fair value of its investments in Qualitas funds plus the committed amounts as outlined in Note 24(b). Once the Group has disposed of its units in the Qualitas funds, it ceases to be exposed to any risk from it.

During the year ended 30 June 2021, total unrealised gains related to fair value movements on investments in Qualitas funds amounted to $302,336 (2020: $1,001,164 loss). The Group also earned distribution income of $1,832,971 (2020: $1,964,896) as a result of its interests in Qualitas funds.

During the year ended 30 June 2021, the Group did not provide financial support to structured entities.

30. Related party transactions

(a) Key management personnel compensation

The following were key management personnel of the Group at any time during the reporting period:

Directors of the Company
Andrew Schwartz, Group Managing Director
Alan Schwartz, Non-Executive Director
Carol Schwartz, Non-Executive Director
(retired 28 February 2021)

Executives
Philip Dowman, Chief Financial Officer
Mark Fischer, Global Head of Real Estate

The key management personnel compensation comprised:

	2021 $	2020 $
Short-term employee benefits	1,759,281	1,778,504
Other long-term benefits	2,546,982	3,755,638
Post-employment benefits	76,261	73,288
	4,382,524	5,607,430

(b) Loans to key management personnel and their related parties

Details regarding loans outstanding at the reporting date to key management personnel and their related parties at any time in the reporting period, are as follows:

	2021 $	2020 $
Total for key management personnel at 1 July	403,181	382,634
Interest paid/payable during the year	19,071	20,547
Total for key management personnel at 30 June	422,252	403,181

30. Related party transactions (continued)

(b) Loans to key management personnel and their related parties (continued)

The loan to key management personnel relates to a Qualitas employee share scheme whereby participants were issued shares under an employee loan share plan. The loans are full recourse and are not within the scope of AASB 2 *Share-based payments.* Interest is payable on the loans at market interest rates. No amounts have been written down or have an allowance for expected credit loss as the balance is considered fully recoverable. The highest balance during the year was $422,252 (2020: $403,181).

(c) Other key management personnel transactions

There are no other transactions with key management persons or their related parties other than those that have been disclosed in this report.

(d) Ultimate parent

The aggregated Group has no single ultimate parent entity. There are common ultimate shareholders and unitholders of Qualitas Property Partners Pty Ltd and Qualitas Investments Unit Trust.

(e) Subsidiaries and aggregated entities

Aggregated entities and the subsidiaries of the aggregated Group are listed in Note 26.

(f) Loans to/from related parties

Qualitas Property Partners Pty Ltd has the following loans from its related parties:

- $3,634,038 loan as at 30 June 2021 (2020: $5,000,000) with ACS Qualitas Management Pty Ltd ATF ACS Qualitas Management Trust and Davtom Finance Pty Ltd, entities controlled by the Group's shareholders. The loan is interest bearing at a rate of 10%. The loan has a maturity date of 1 July 2022.

- $129,885 loan as at 30 June 2021 (2020: $2,870,163) with ACS Qualitas Management Pty Ltd ATF ACS Qualitas Management Trust and Davtom Finance Pty Ltd, entities controlled by the Group's shareholders. The loan is interest bearing at a rate of 10%. The loan has a maturity date of 1 July 2022.

The Group has a loan from Qualitas Real Estate Income Fund, in which a wholly owned subsidiary of the Group is the fund manager and the Group has an investment in the fund. The loan is interest bearing at a rate of 5% p.a and has a balance of $11,417,481 as at 30 June 2021 (2020: $11,228,760). Interest expense on the loan during the year was $545,952 (2020: $538,008). The Group will repay the loan (including any payment of interest on the loan) over a period of 10 years from the first draw of each new tranche.

(g) Transactions with other related parties

Except for the matters noted above, there are no other transactions with other related parties.

31. Cash flow information

	2021 $	2020 $
Reconciliation of cash flows from operating activities with Profit after income tax		
Net profit	12,117,061	5,417,029
Adjustments for:		
- Non-operating depreciation and amortisation	1,145,733	2,325,824
- Share of (profit)/loss of equity accounted investments	-	1,107,572
Operating profit before changes in working capital and provisions	**13,262,794**	**8,850,425**
Net decrease/ (increase) in trade and other receivables	(16,276,341)	(2,539,130)
Net decrease/ (increase) in inventories	(567,691)	(457,592)
Net decrease/ (increase) in capitalised contract costs	5,394,031	-
Net decrease/ (increase) in prepayments	(30,269)	(179,118)
Net (decrease)/increase in trade and other payables	610,958	(1,609,652)
Net (increase)/decrease in deferred tax asset	(3,655,008)	380,000
Net (decrease)/increase in deferred income	(378,783)	819,293
Net increase in provisions and employee benefits	11,566,115	16,509
Net increase in tax payable	3,880,787	619,765
Net decrease/(increase) in investment loans – classified as operating	31,336,604	(49,827,710)
Net cash provided by operating activities	**45,143,197**	**(43,927,210)**

32. Auditor's remuneration

	2021 $	2020 $
Audit services		
KPMG Australia:		
- Audit of financial statements – Qualitas Group	112,000	112,000
	112,000	112,000
Other assurance services		
- AFSL audit	5,000	5,000
- GS007 internal controls report	30,000	30,000
	35,000	35,000
Other services		
KPMG Australia:		
- Compilation of financial statements	28,000	28,000
- Taxation services	170,150	171,717
- Other services	183,635	252,246
	381,785	451,963
	528,785	598,963

33. Matters subsequent to the end of the financial year

The coronavirus has not had a significant impact on the Group's operations and activities subsequent to year end, and is not expected to increasingly effect the Group. It is not possible to accurately determine the nature or extent of the impacts or the time over which the Group will be impacted. Given the dynamic nature of these circumstances and the significant increase in economic uncertainty, the related impact on the Group's go forward results of operations, cash flows and financial condition cannot be reasonably estimated at this stage and will be reflected in the Group's subsequent financial year.

On 8 November 2021, changes made in the Amending Agreement dated 26 June 2014 to the Shareholders Agreement dated 14 April 2010 between Qualitas Property Partners Pty Ltd, ACS Qualitas Management Pty Ltd and QPP Holdings Pty Ltd were reversed in order to align the processes in the Qualitas Property Partners Investment Committee with those of the Qualitas Investment Committee. This change had the effect of removing the qualitative de facto control rights of AJS Real Estate Financier Unit Trust over Qualitas Property Partners.

Based on the current available information, the Directors believe that the Group will remain a going concern.

Qualitas Group Aggregation

Directors' Declaration

QUALITAS

In the opinion of the directors of the Qualitas Property Pty Ltd (the Company) and its controlled and related entities (the Group), we report that:

(a) the Group is not a reporting entity;

(b) the aggregated financial statements and notes, set out on pages 3 to 53:

(i) present fairly the financial position of the Group as at 30 June 2021 and of its performance, as represented by the results of its operations and its cash flows, for the year ended 30 June 2021 in accordance with the basis of preparation described in Note 2; and

(ii) complies with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Notes 1 to 3; and

(c) there are reasonable grounds to believe that the Qualitas Group will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the directors of Qualitas Property Partners Pty Ltd, on behalf of the Qualitas Group.

Andrew Schwartz
Managing Director
Melbourne, 11 November 2021

KPMG

Independent Auditor's Report

To the Directors of Qualitas Property Partners Pty Ltd and the Directors of Qualitas Investments Pty Ltd as Trustee for Qualitas Investments Unit Trust

Opinion

We have audited the ***Aggregated Financial Report*** of the Qualitas Group (the ***Aggregated Group***).

In our opinion, the accompanying Aggregated Financial Report presents fairly, in all material respects, the financial position of Qualitas Group as at 30 June 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the combination basis of preparation in note 2(b) to the financial statements and *Australian Accounting Standards*.

The ***Aggregated Financial Report*** comprises:

- Aggregated consolidated statement of financial position as at 30 June 2021;
- Aggregated consolidated statement of profit or loss and other comprehensive income, Aggregated consolidated statement of changes in equity, and Aggregated consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Aggregated Group*** *consists of Qualitas Property Partners Pty Ltd and Qualitas Investments Unit Trust* and the entities they respectively controlled at the year end or from time to time during the financial year.

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 Aggregated Financial Report* section of our report.

We are independent of the Aggregated Group in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the *Aggregated Financial Report* in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – Basis of preparation

We draw attention to note 2(b) of the Aggregated Financial Report, which describes the basis of preparation, including the approach taken to and the purpose of preparing it.

The Aggregated Financial Report has been prepared to assist Directors of the Aggregated Group:

– in meeting the financial reporting requirements of the Aggregated Group's governing documents; and

– for the purpose of providing historical financial information of the Qualitas Group relating to a potential transaction.

As a result, the Aggregated Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Directors of the Aggregated Group and should not be used by parties other than the Directors of the Aggregated Group. We disclaim any assumption of responsibility for any reliance on this report, or on the Aggregated Financial Report to which it relates, to any person other than the Directors of the Aggregated Group or for any other purpose than that for which it was prepared.

Other Information

Other Information is financial and non-financial information in Qualitas Group's annual reporting which is provided in addition to the Aggregated Financial Report and the Auditor's Report. Management is responsible for the Other Information.

Our opinion on the Aggregated 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 Aggregated Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Aggregated 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 Management for the Aggregated Financial Report

Management are responsible for:

– the preparation and fair presentation of the Aggregated Financial Report in accordance with *International Financial Reporting Standards* and the combination basis of preparation described in note 2(b) of the Aggregated Financial Report and have determined that the financial reporting framework is appropriate to meet the needs of the Directors in meeting the financial reporting requirements of the Aggregated Group's governing documents; and for the purpose of providing historical financial information of the Qualitas Group relating to a potential transaction.

- implementing necessary internal control to enable the preparation of a Aggregated Financial Report that is free from material misstatement, whether due to fraud or error
- assessing the Aggregated Group'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 Aggregated Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Aggregated Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Aggregated 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 Aggregated Financial Report.

A further description of our responsibilities for the audit of the Aggregated Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Sydney
11 November 2021