

**ASX Announcement****Qualitas Limited (ASX: QAL)****22 February 2023****Qualitas Limited – Appendix 4D and Interim Financial Report**

Qualitas Limited (**Company**) (ASX: QAL) provides the attached Appendix 4D and Interim Financial Report for the statutory 6-month period ended 31 December 2022.

Authorised for release by the Board of Directors of the Company.

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## About Qualitas

Qualitas Limited (**Qualitas**) is an ASX-listed Australian alternative real estate investment manager, with committed funds under management of circa A\$5.8 billion<sup>1</sup> across credit and equity fund mandates, specialising in real estate private credit and real estate private equity sectors.

Founded in 2008, the firm has since inception invested in or financed assets valued at over A\$15 billion<sup>2</sup>. The firm invests in real estate private credit, opportunistic real estate private equity, income producing commercial real estate and build-to-rent residential. Qualitas manages discretionary funds on behalf of institutional, wholesale and retail clients in Australia, Asia, and Europe.

Qualitas' objective is to provide Shareholders with attractive risk-adjusted returns through a combination of regular and growing dividend income and capital growth. Qualitas has approximately 80 investment and fiduciary professionals, with a strong focus on risk mitigation and management through its robust risk management and governance frameworks, and its operating structure and procedures.

## Disclaimer

This announcement contains general information only and does not take into account your investment objectives, financial situation or needs. Qualitas is not licensed to provide financial product advice in relation to Qualitas shares or any other financial products. This announcement does not constitute financial, tax or legal advice, nor is it an offer, invitation or recommendation to apply for or acquire a share in Qualitas or any other financial product. Before making an investment decision, readers should consider whether Qualitas is appropriate given your objectives, financial situation and needs. If you require advice that takes into account your personal circumstances, you should consult a licensed or authorised financial adviser. Past performance is not a reliable indicator of future performance.

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<sup>1</sup> As at 31 December 2022

<sup>2</sup> As at 30 June 2022

# **Qualitas Limited**

ACN 655 057 588

## **Interim report For the half-year ended 31 December 2022**

**Incorporating the requirements of Appendix 4D**

**Qualitas Limited Appendix 4D**  
**For the half-year ended 31 December 2022**

**Details of Reporting Period**

Current: For the half-year ended 31 December 2022

Previous corresponding: For the period 4 November 2021 to 31 December 2021

The Directors of Qualitas Limited (ACN: 655 057 588) announce the consolidated results of Qualitas Limited and its controlled entities ("the Group") for the half-year ended 31 December 2022 as follows:

**Results for announcement to the market**

Extracted from the Condensed Consolidated Interim Financial Statements for the half-year ended 31 December 2022.

|   | 2022<br>\$'000 | 2021<br>\$'000 | Change<br>\$ | Change<br>% |
|---|----------------|----------------|--------------|-------------|
| <b>Revenue</b> from ordinary activities   | 35,406         | 2,323          | 33,023       | 1422%       |
| <b>Profit/(loss)</b> from ordinary activities after tax attributable to members | 10,692         | (1,846)        | 12,538       | 679%        |
| <b>Net profit/(loss)</b> for the period attributable to members                 | 10,692         | (1,846)        | 12,538       | 679%        |

**Details of dividends**

On 18 August 2022, the Directors declared a fully franked dividends of 4 cents per share which amounted to \$11,760,000 and was paid on 8 September 2022 with a record date of 24 August 2022.

**Details of Dividend Reinvestment Plan**

The Group does not have a Dividend Reinvestment Plan ("DRP").

**Net tangible assets per security**

The net tangible assets per security is \$1.20 (2021: \$1.16).

**Control gained or lost over entities during the period**

On 5 December 2022 the Group acquired 100% controlling equity interest in Capital Management Australia Pty Ltd, Chauvel Capital Partners Funds Management Pty Ltd and Chauvel Capital Partners Pty Ltd. The acquisition was effective on 1 July 2022.

**Details of associates and joint venture entities**

The Group is part of a joint venture arrangement with control over four assets. The joint venture is a strategic partnership to establish a build-to-rent platform, targeting \$5 billion of gross assets over the next 5-7 years.

**Other information**

The Group is not a foreign Group.

**Independent review report**

This report is based on the condensed consolidated interim financial statements for the half-year ended 31 December 2022 which has been subject to an independent review by the Group's Auditors, KPMG. All the documents comprise the information required by ASX Listing Rule 4.2A.

# **Qualitas Limited**

ACN 655 057 588

## **Interim financial statements**

**For the half-year ended 31 December 2022**

# Qualitas Limited

ACN 655 057 588

## Interim financial statements For the half-year ended 31 December 2022

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The condensed consolidated interim financial statements cover Qualitas Limited (the "Company") and its controlled entities (together referred to as the "Group").

The Company's registered office is:  
Level 38, 120 Collins Street  
Melbourne, VIC 3000

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

## Directors' report

The condensed consolidated financial report covers Qualitas Limited (**Qualitas** or the **Company**) and its controlled entities (together referred to as the **Group**).

The Company's registered office is:  
Level 38, 120 Collins Street  
Melbourne, VIC 3000

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

The Directors of the Company present their report together with the consolidated financial report of the Group for the half-year ended 31 December 2022 and the auditor's review report thereon.

## Directors

The following persons were Directors of Qualitas (ASX: QAL) during the half-year unless otherwise stated.

|                    |                           |
|--------------------|---------------------------|
| Andrew Fairley AM  | Appointed 4 November 2021 |
| Andrew Schwartz    | Appointed 4 November 2021 |
| Mary Ploughman     | Appointed 4 November 2021 |
| Michael Schoenfeld | Appointed 4 November 2021 |
| JoAnne Stephenson  | Appointed 4 November 2021 |
| Brian Delaney      | Appointed 4 November 2021 |

## Company Secretary

The Company Secretary of the Company is:

|               |                       |
|---------------|-----------------------|
| Terrie Morgan | Appointed 8 June 2022 |
|---------------|-----------------------|

## Operating result

The net profit after tax of the Company for the half-year ended 31 December 2022 amounted to \$10,691,763 (2021: loss of (\$1,845,908) for the period 4 November 2021 to 31 December 2021).

## Review of operations

A review of the Company's operations during the period, and the results of those operations, is as follows:

- Secured \$700m commitment from Abu Dhabi Investment Authority (ADIA) for a new fully discretionary investment mandate. Also secured a new capital commitment from a global institutional investor to invest \$440m in the Qualitas Construction Debt Fund II. A further \$350m equity commitment was secured for a second Build to Rent Fund from a global institutional investor.
- Majority of new committed funds under management (FUM) of \$1.5b is from global institutional investors bringing greater diversity to the Group's capital sources. Institutional FUM comprises circa 76% of total committed FUM. FUM represents committed capital from investors with signed investor agreements.
- Use of IPO proceeds during the period resulting in income of \$6.8m. IPO proceeds were deployed to make co-investments (in Qualitas Diversified Credit Investments) as well as underwrite deals for various funds ahead of capital raising. In December 2022, \$125m Liquidity Facility was established to warehouse deals for income credit funds.
- Cashflows from operating activities in the statement of cashflows includes an outflow of \$143.9m relating to investments acquired. This includes \$41.1m of term deposits, \$88.9m deployment of IPO proceeds to underwrite deals for various funds and \$13.9m co-investment in funds.
- Qualitas originated and deployed the Company's single largest loan in the reporting period, being a circa \$600m exposure to a Sydney mixed use development (*AURA by Aqualand*), with funding by construction and mezzanine loans.
- Record total deployment in the reporting period of \$1.76b on the back of strong momentum in senior debt origination by the Qualitas team.
- A key driver of operating efficiency is the change in Qualitas average gross investment size. During the reporting period the average gross investment size increased to \$71m (excluding *AURA by Aqualand*).
- Qualitas achieved renewal of its certification of a carbon neutral footprint from Climate Active for 2021-2022 in December 2022.
- Qualitas' Reflect Reconciliation Action Plan (RAP) was conditionally endorsed by Reconciliation Australia.
- The Company was incorporated on 4 November 2021 (and operations commenced on 22 December 2021) and the comparative information in the statement of comprehensive income and statement of cash flows reflects the period from 4 November 2021 to 31 December 2021.

## Strategy and outlook

The Company acts as an investment manager with access to diversified investment opportunities across commercial real estate markets, capital structures, fund types and real estate sub-asset classes. The Company will continue to focus on funds growth and performance by taking advantage of significant commercial real estate private credit opportunities and its diverse investor base of wholesale and retail investors.

The Company's operations during the period performed as expected in the opinion of the directors.

## Directors' report (continued)

### Significant changes in state of affairs

Other than set out below, in the opinion of the Directors, there were no other significant changes in the state of affairs of the Group that occurred during the current reporting period.

### Principal activities

Qualitas is an Australian alternative real estate investment manager with FUM of \$5.8 billion as at 31 December 2022 across debt and equity funds and other mandates. Qualitas specialises in managing funds focused on the real estate private credit and real estate private equity sectors.

The Qualitas funds platform consists of 16 active funds, comprising 6 specialist commercial real estate (**CRE**) credit funds, and 10 specialist real estate private equity funds, which, together with other investor and non-fund mandates (**Funds**), manage a total \$5.8 billion of FUM. Additionally, Qualitas holds interests in its Funds alongside wholesale and retail investors (**Fund Investors**), totaling \$45 million (**Co-Investments**).

Arch Finance is comprised of wholly owned entities of Qualitas. Arch Finance is a non-bank commercial real estate mortgage originator and lender. Arch Finance manages and originates these loans via the Arch Finance Warehouse Trust, which provides first mortgage loans secured against predominantly established income producing or owner-occupied commercial real estate.

Qualitas was incorporated with the Australian Securities and Investments Commission on 4 November 2021, it listed on the Australian Securities Exchange (**ASX**) on 16 December 2021 on a conditional and deferred basis and its shares commenced trading on the ASX (ASX: QAL) on 22 December 2021.

### After balance date events

On 22 February 2023, the Directors declared an interim fully franked dividend of 2 cents per share which amounted to \$5,920,321 to be paid on 4 April 2023 with a record date of 7 March 2023.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect:

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

Likely developments in the operations of the Group, and the expected results of those operations in future financial years, have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

### Environmental regulation

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

### Dividends

On 18 August 2022, the Directors declared a fully franked dividend of 4 cents per share which amounted to \$11,760,000 and was paid on 8 September 2022 with a record date of 24 August 2022.

On 22 February 2023, the Directors declared an interim fully franked dividend of 2 cents per share which amounted to \$5,920,321 to be paid on 4 April 2023 with a record date of 7 March 2023.



## Directors' report (continued)

### Rounding of amounts to the nearest thousand dollars

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

### Auditor's independence declaration

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

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



Andrew Fairley AM  
Chairman

Melbourne

22 February 2023



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

To the Directors of Qualitas Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Qualitas Limited for the half year ended 31 December 2022 there have been:

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

A handwritten signature of the KPMG representative, appearing as 'KPMG' in a cursive script.

KPMG

A handwritten signature of Rachel Gatt in a cursive script.

Rachel Gatt  
*Partner*

Sydney  
22 February 2023

## Condensed consolidated interim statement of comprehensive income

|   | Notes | Half year to 31<br>December 2022<br>\$'000 | 4 November to 31<br>December 2021<br>\$'000 |
|---|-------|--|---|
| <b>Income</b>   |       |  |   |
| Interest income   | 8     | 18,723                                     | 690   |
| Interest expense  | 8     | <u>(10,027)</u>                            | <u>(381)</u>                                |
| Net interest income   |       | <u>8,696</u>                               | <u>309</u>                                  |
| Performance fees  | 7a    | 2,035                                      | 858   |
| Income from the provision of financial services                                       | 7b    | 22,947                                     | 1,082                                       |
| Other income  |       | 1,552                                      | 27  |
| Net gains/(losses) on financial instruments held at fair value through profit or loss |       | <u>176</u>                                 | <u>47</u>                                   |
| <b>Total income from provision of financial services</b>                              |       | <u>26,710</u>                              | <u>2,014</u>                                |
| <b>Total revenue</b>  |       | <u>35,406</u>                              | <u>2,323</u>                                |
| Loan impairment (expense)/reversal  |       | 25   | 187   |
| <b>Expenses</b>   |       |  |   |
| Employee costs  |       | (14,121)                                   | (1,149)                                     |
| Marketing and sales commission expenses   |       | (322)                                      | (12)  |
| Consulting and professional fees  |       | (1,475)                                    | (48)  |
| Travel expenses   |       | (288)                                      | (2)   |
| Depreciation and amortisation   |       | (885)                                      | (56)  |
| Insurance costs   |       | (892)                                      | (51)  |
| Capital raising costs - QAL   |       | -  | (3,779)                                     |
| Other operating expenses  |       | <u>(1,967)</u>                             | <u>(50)</u>                                 |
| <b>Total operating expenses</b>   |       | <u>(19,950)</u>                            | <u>(5,147)</u>                              |
| Equity accounted investments  |       | (176)                                      | -   |
| <b>Profit/(loss) before income tax</b>  |       | <u>15,305</u>                              | <u>(2,637)</u>                              |
| Income tax benefit/(expense)  | 9     | (4,613)                                    | 791   |
| <b>Profit/(loss) for the period</b>   |       | <u>10,692</u>                              | <u>(1,846)</u>                              |
| Other comprehensive income  |       | <u>-</u>                                   | <u>-</u>                                    |
| <b>Total comprehensive income/(loss) for the period</b>                               |       | <u>10,692</u>                              | <u>(1,846)</u>                              |
| Total comprehensive income/(loss) attributable to:<br>Owners of Qualitas Limited      |       | 10,692                                     | (1,846)                                     |
| <b>Earnings per share for profit attributable to shareholders of the Group</b>        |       |  |   |
| Basic earnings per share (cents)  |       | 3.65                                       | (0.63)                                      |
| Diluted earnings per share (cents)  |       | 3.62                                       | (0.63)                                      |

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

**Condensed consolidated interim statement of financial position**

|   | Notes | As at<br>31 December 2022<br>\$'000 | As at<br>30 June 2022<br>\$'000 |
|---|-------|-------------------------------------|---------------------------------|
| <b>Assets</b>                                 |       |                                     |                                 |
| Cash and cash equivalents                     |       | 159,411                             | 309,010                         |
| Trade and other receivables                   |       | 16,153                              | 15,452                          |
| Prepayments                                   |       | 1,668                               | 960                             |
| Loan receivables                              | 10    | 88,923                              | -                               |
| Accrued performance fees                      |       | 46,679                              | 44,654                          |
| Intangible                                    |       | 577                                 | -                               |
| Right-of-use assets                           |       | 2,607                               | 2,775                           |
| Property, plant and equipment                 |       | 735                                 | 528                             |
| Deferred tax asset                            |       | 8,435                               | 9,490                           |
| Investments                                   |       | 86,177                              | 32,134                          |
| Inventories                                   |       | 24,123                              | 24,114                          |
| Mortgage loans                                |       | 355,194                             | 369,368                         |
| Intangible asset - capitalised contract costs |       | <u>4,181</u>                        | <u>4,279</u>                    |
| <b>Total assets</b>                           |       | <u>794,863</u>                      | <u>812,764</u>                  |
| <b>Liabilities</b>                            |       |                                     |                                 |
| Trade and other payables                      |       | 9,149                               | 11,511                          |
| Deferred income                               |       | 6,477                               | 6,336                           |
| Employee benefits                             |       | 22,367                              | 23,812                          |
| Lease liability                               |       | 2,694                               | 2,824                           |
| Loans and borrowings                          | 11    | <u>399,753</u>                      | <u>413,713</u>                  |
| <b>Total liabilities</b>                      |       | <u>440,440</u>                      | <u>458,196</u>                  |
| <b>Net assets</b>                             |       | <u>354,423</u>                      | <u>354,568</u>                  |
| <b>Equity</b>                                 |       |                                     |                                 |
| Issued capital                                | 12    | 723,487                             | 723,141                         |
| Retained earnings                             |       | 11,081                              | 12,116                          |
| Share based payments reserve                  |       | 995                                 | 451                             |
| Treasury share reserve                        |       | -                                   | -                               |
| Common control reserve                        |       | <u>(381,140)</u>                    | <u>(381,140)</u>                |
| <b>Total equity</b>                           |       | <u>354,423</u>                      | <u>354,568</u>                  |

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

**Condensed consolidated interim statement of changes in equity**

|   | Issued capital | Retained earnings | Share-based payments reserve | Common control reserve | Treasury share reserve | Total          |
|---|----------------|-------------------|------------------------------|------------------------|------------------------|----------------|
|   | \$'000         | \$'000            | \$'000                       | \$'000                 | \$'000                 | \$'000         |
| <b>Balance at 4 November 2021</b>   | -              | -                 | -                            | -                      | -                      | -              |
| <b>Total comprehensive income for the period</b>  |                |                   |                              |                        |                        |                |
| Loss after tax for the period   | -              | (1,846)           | -                            | -                      | -                      | (1,846)        |
| Other comprehensive income  | -              | -                 | -                            | -                      | -                      | -              |
| Total comprehensive income for the period   | -              | -                 | -                            | -                      | -                      | -              |
| <b>Transactions recorded directly in equity</b>   |                |                   |                              |                        |                        |                |
| Contributions of capital  | 335,000        | -                 | -                            | -                      | -                      | 335,000        |
| Shares issued for consideration of Qualitas Property Partners Pty Ltd and Qualitas Investments Unit Trust | 400,000        | -                 | -                            | (381,140)              | -                      | 18,859         |
| IPO costs reflected directly through equity (net of tax)  | (11,640)       | -                 | -                            | -                      | -                      | (11,640)       |
| Share-based payments  | -              | -                 | 27                           | -                      | -                      | 27             |
| <b>Balance at 31 December 2021</b>  | <b>723,360</b> | <b>(1,846)</b>    | <b>27</b>                    | <b>(381,140)</b>       | <b>-</b>               | <b>340,400</b> |
| <b>Balance at 1 July 2022</b>   | 723,141        | 12,116            | 451                          | (381,140)              | -                      | 354,568        |
| <b>Total comprehensive income for the period</b>  |                |                   |                              |                        |                        |                |
| Profit after tax for the period   | -              | 10,692            | -                            | -                      | -                      | 10,692         |
| Other comprehensive income  | -              | -                 | -                            | -                      | -                      | -              |
| Total comprehensive income for the period   | -              | -                 | -                            | -                      | -                      | -              |
| <b>Transactions recorded directly in equity</b>   |                |                   |                              |                        |                        |                |
| Treasury shares acquired/(sold)   | -              | -                 | -                            | -                      | -                      | -              |
| IPO costs reflected directly through equity (net of tax)  | (15)           | -                 | -                            | -                      | -                      | (15)           |
| Options issued  | 361            | -                 | -                            | -                      | -                      | 361            |
| Share-based payments  | -              | -                 | 544                          | -                      | -                      | 544            |
| Dividends paid  | -              | (11,727)          | -                            | -                      | -                      | (11,727)       |
| <b>Balance at 31 December 2022</b>  | <b>723,487</b> | <b>11,081</b>     | <b>995</b>                   | <b>(381,140)</b>       | <b>-</b>               | <b>354,423</b> |

**Condensed consolidated interim statement of cash flows**

|  | Half-year ended 31<br>December 2022<br>\$'000 | 4 November to 31<br>December 2021<br>\$'000 |
|--|---|---|
| <b>Cash flows from operating activities</b>                        |   |   |
| Interest received  | 18,145  | 643   |
| Interest paid  | (10,027)                                      | (381)                                       |
| Receipts from provision of financial services and performance fees | 25,931  | 2,774                                       |
| Payments to suppliers, employees and others                        | (21,546)                                      | (1,362)                                     |
| Payment of IPO costs   | -   | (16,162)                                    |
| Working capital funding  | (1,580)                                       | 758   |
| Payments in relation to projects                                   | (9)   | (6)   |
| Tax received/(paid)  | (5,865)                                       | -   |
| Mortgage loans advanced  | (55,560)                                      | (5,540)                                     |
| Mortgage loans repaid  | 69,759  | 3,952                                       |
| Investments acquired   | (143,864)                                     | (2,825)                                     |
| Investments disposed   | 1,074   | 1,340                                       |
| <b>Net cash movement from operating activities</b>                 | <b>(123,542)</b>                              | <b>(16,809)</b>                             |
| <b>Cash flows from investing activities</b>                        |   |   |
| Payments for Property, plant and equipment                         | (342)   | (64)  |
| Cash of subsidiary entities on acquisition date                    | -   | 9,802                                       |
| <b>Net cash movement from investing activities</b>                 | <b>(342)</b>                                  | <b>9,738</b>                                |
| <b>Cash flows from financing activities</b>                        |   |   |
| Payment of lease liabilities                                       | (373)   | (14)  |
| Proceeds from loans and borrowings                                 | 21,992  | 2,390                                       |
| Repayments of loans and borrowings                                 | (35,952)                                      | (20,640)                                    |
| Repayment of Financier loan (capital)                              | -   | (17,308)                                    |
| IPO proceeds received  | -   | 335,000                                     |
| Payment of IPO costs   | (15)  | -   |
| Options issued   | 361   | -   |
| Dividends paid   | (11,728)                                      | -   |
| <b>Net cash movement from financing activities</b>                 | <b>(25,715)</b>                               | <b>299,428</b>                              |
| <b>Net increase in cash and cash equivalents</b>                   | <b>(149,599)</b>                              | <b>292,357</b>                              |
| Cash and cash equivalents at the beginning of the period           | 309,010                                       | -   |
| Cash and cash equivalents at the end of the period                 | 159,411                                       | 292,357                                     |

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

## Notes to the condensed consolidated interim financial statements

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## 1 Reporting entity

Qualitas Limited (the "Company") is a public company limited by shares, domiciled in Australia. The registered office is Level 38, 120 Collins Street, Melbourne, Victoria 3000.

The Company listed on the Australian Stock Exchange ("ASX") on 16 December 2021 on a conditional and deferred basis and commenced trading on 21 December 2021. The ASX ticker is QAL.

The Company commenced operations on 21 December 2021.

## 2 Basis of preparation

These condensed consolidated interim financial statements as at and for the half-year ended 31 December 2022 comprise the Company and its controlled entities (together referred to as the "Group"). The Group is a 'for profit' entity for the purpose of preparing these condensed consolidated interim financial statements. The Company was incorporated on 4 November 2021 (comparative information reflects this period) and operations commenced on 22 December 2021.

The condensed consolidated interim statement of financial position is presented on a liquidity basis.

### (a) Statement of compliance

These condensed consolidated interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34 *Interim Financial Reporting*. The condensed consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

They do not include all of the information required for a complete set of annual financial statements and should be read in conjunction with the 2022 Annual report. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2022.

The Group is of a kind referred to in *ASIC Corporations Instrument 2016/191* and in accordance with the legislative instrument amounts in the consolidated interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

These condensed consolidated interim financial statements were authorised for issue by the Directors on 22 February 2023.

### (b) Basis of measurement

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

### (c) Functional and presentation currency

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

### (d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs require 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:

- Credit risk;
- Revenue recognition in relation to performance fees;
- Equity accounted investees; and
- Financial asset disclosures

Key assumptions and estimation uncertainties:

- The use of key assumptions underlying the recoverability of capitalised project costs. This involves estimation of forecast costs, sales and net profit from relevant projects;
- Fair value;
- Recognition and measurement of deferred tax assets and liabilities;
- Credit risk relating to financial assets (Expected Credit Loss); and
- Revenue recognition



### 3 Changes in significant accounting policies

Except as described below, the accounting policies and risk management policies and practices applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2022.

A number of new standards are effective for annual periods beginning after 1 July 2022 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. The analysis of the transitional impact of the standards is expected to be completed prior to the implementation dates. The new standards include:

- Disclosures of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

#### Intangible assets

During the period, the Group acquired a funds management business for \$827,129 which resulted in the recognition of \$577,000 management rights, recorded as an intangible asset on the statement of financial position. These management rights will be amortized over 2.66 years and will be subject to impairment testing.

### 4 Fair value measurements

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, 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.

At 31 December 2022, the Group holds investments in Qualitas Real Estate Income Fund.

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

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

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

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

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

As at 31 December 2022, the Group holds investments in Qualitas funds which are recognised as Level 2 and an investment in an unlisted entity recognised as Level 3. The fair value of Qualitas funds is estimated based on the net asset value (NAV) of the fund at reporting date. The NAV is assessed to be the best estimate of fair value for the funds given this is the transaction price that unitholders would transact upon. Where the fund is a closed-ended fund, liquidity factors are considered in estimating the fair value of the fund.

For the Level 3 investment in an unlisted entity, the Group uses a combination of management accounts, recently audited financial statements and property valuations to estimate the fair value, on the basis that the value of the investment is mainly driven by the property assets held within the unlisted entity. The key input assumption in this valuation is therefore market capital rates. A 10% shift in market capital rates would have a +/- \$530k shift in the valuation of the asset. There were no transfers into or out of Level 3.

#### 4 Fair value measurements (continued)

(iii) Unobservable inputs used in measuring fair value (level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using various valuation techniques. If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire assessment.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

#### Recognised fair value measurements

The tables below sets out the Group's financial assets and liabilities measured at their carrying amount and fair value at 31 December 2022 and 30 June 2022.

| As at 31 December 2022                                  | Carrying amount                          |                               |  | Fair value             |              |
|---|--|-------------------------------|--|------------------------|--------------|
|   | Fair value through profit or loss \$'000 | Fair value through OCI \$'000 | Financial assets/ (financial liabilities) at amortised cost \$'000 | Carrying amount \$'000 | Total \$'000 |
| <i>Financial assets measured at fair value</i>          |  |                               |  |                        |              |
| Digital Harbor  | 3,602                                    | -                             | -  | 3,602                  | 3,602        |
| GQ Multifamily Unit Trust                               | 2,994                                    | -                             | -  | 2,994                  | 2,994        |
| Qualitas Real Estate Opportunity Fund I                 | 3,066                                    | -                             | -  | 3,066                  | 3,066        |
| Qualitas Real Estate Opportunity Fund II                | 7,850                                    | -                             | -  | 7,850                  | 7,850        |
| Qualitas Food Infrastructure Fund                       | 2,185                                    | -                             | -  | 2,185                  | 2,185        |
| Qualitas Seniors Housing Fund                           | 1,656                                    | -                             | -  | 1,656                  | 1,656        |
| Qualitas US Office Fund                                 | 2,184                                    | -                             | -  | 2,184                  | 2,184        |
| Qualitas Real Estate Income Fund                        | 9,250                                    | -                             | -  | 9,250                  | 9,250        |
| <i>Financial assets not measured at fair value</i>      |  |                               |  |                        |              |
| Qualitas Construction Debt Fund                         | -  | -                             | 1,085  | 1,085                  | 1,085        |
| Qualitas Build to Rent Debt Fund                        | -  | -                             | 113  | 113                    | 113          |
| Qualitas Diversified Credit Investments Fund            | -  | -                             | 11,100   | 11,100                 | 11,100       |
| Other   | -  | -                             | 21   | 21                     | 21           |
| Mortgage loans  | -  | -                             | 355,194  | 355,194                | 355,194      |
| Term deposits   | -  | -                             | 41,073   | 41,073                 | 41,073       |
| Cash and cash equivalents                               | -  | -                             | 159,411  | 159,411                | 159,411      |
| Trade receivables and other assets                      | -  | -                             | 16,153   | 16,153                 | 16,153       |
| Loan receivables  | -  | -                             | 88,923   | 88,923                 | 88,923       |
| Prepayments   | -  | -                             | 1,668  | 1,668                  | 1,668        |
| <i>Financial liabilities not measured at fair value</i> |  |                               |  |                        |              |
| Payables  | -  | -                             | (9,149)  | (9,149)                | (9,149)      |
| Lease liability   | -  | -                             | (2,694)  | (2,694)                | (2,694)      |
| Loans and borrowings                                    | -  | -                             | (399,753)  | (399,753)              | (399,753)    |
|   | 32,787                                   | -                             | 263,145  | 295,932                | 295,932      |

#### 4 Fair value measurements (continued)

| As at 30 June 2022                                      | Carrying amount                          |                               |  | Fair value             |              |
|---|--|-------------------------------|--|------------------------|--------------|
|   | Fair value through profit or loss \$'000 | Fair value through OCI \$'000 | Financial assets/ (financial liabilities) at amortised cost \$'000 | Carrying amount \$'000 | Total \$'000 |
| <i>Financial assets measured at fair value</i>          |  |                               |  |                        |              |
| Digital Harbor  | 3,602                                    | -                             | -  | 3,602                  | 3,602        |
| Qualitas Real Estate Opportunity Fund I                 | 3,420                                    | -                             | -  | 3,420                  | 3,420        |
| Qualitas Real Estate Opportunity Fund II                | 6,802                                    | -                             | -  | 6,802                  | 6,802        |
| Qualitas Food Infrastructure Fund                       | 2,175                                    | -                             | -  | 2,175                  | 2,175        |
| Qualitas Seniors Housing Fund                           | 1,560                                    | -                             | -  | 1,560                  | 1,560        |
| Qualitas US Office Fund                                 | 2,699                                    | -                             | -  | 2,699                  | 2,699        |
| Qualitas Real Estate Income Fund                        | 8,594                                    | -                             | -  | 8,594                  | 8,594        |
| <i>Financial assets not measured at fair Value</i>      |  |                               |  |                        |              |
| Qualitas Construction Debt Fund                         | -  | -                             | 1,136  | 1,136                  | 1,136        |
| Qualitas Build to Rent Debt Fund                        | -  | -                             | 76   | 76                     | 76           |
| Other   | -  | -                             | 165  | 165                    | 165          |
| Mortgage loans  | -  | -                             | 369,368  | 369,368                | 369,368      |
| Term deposits   | -  | -                             | 404  | 404                    | 404          |
| Cash and cash equivalents                               | -  | -                             | 309,010  | 309,010                | 309,010      |
| Trade receivables and other assets                      | -  | -                             | 15,452   | 15,452                 | 15,452       |
| Prepayments   | -  | -                             | 96   | 96                     | 96           |
| <i>Financial liabilities not measured at fair value</i> |  |                               |  |                        |              |
| Payables  | -  | -                             | (11,409)   | (11,409)               | (11,409)     |
| Lease liability   | -  | -                             | (2,824)  | (2,824)                | (2,824)      |
| Loans and borrowings                                    | -  | -                             | (413,713)  | (413,713)              | (413,713)    |
|   | 28,852                                   | -                             | 268,625  | 297,477                | 297,477      |

#### Recognised fair value measurements

The table below sets out the Group's financial assets and liabilities measured at fair value according to the fair value hierarchy at 31 December 2022 and 30 June 2022:

| As at 31 December 2022                   | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|----------------|----------------|----------------|--------------|
| <i>Financial assets at fair value</i>    |                |                |                |              |
| Digital Harbor                           | -              | -              | 3,602          | 3,602        |
| GQ Multifamily Unit Trust                | -              | 2,994          | -              | 2,994        |
| Qualitas Real Estate Opportunity Fund I  | -              | 3,066          | -              | 3,066        |
| Qualitas Real Estate Opportunity Fund II | -              | 7,850          | -              | 7,850        |
| Qualitas Food Infrastructure Fund        | -              | 2,185          | -              | 2,185        |
| Qualitas Seniors Housing Fund            | -              | 1,656          | -              | 1,656        |
| Qualitas US Office Fund                  | -              | 2,184          | -              | 2,184        |
| Qualitas Real Estate Income Fund         | 9,250          | -              | -              | 9,250        |
|  | 9,250          | 19,935         | 3,602          | 32,787       |

**4 Fair value measurements (continued)**

| <b>As at 30 June 2022</b>                | <b>Level 1<br/>\$'000</b> | <b>Level 2<br/>\$'000</b> | <b>Level 3<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| <i>Financial assets at fair value</i>    |                           |                           |                           |                         |
| Digital Harbor Investments               | -                         | -                         | 3,602                     | 3,602                   |
| Qualitas Real Estate Opportunity Fund I  | -                         | 3,420                     | -                         | 3,420                   |
| Qualitas Real Estate Opportunity Fund II | -                         | 6,802                     | -                         | 6,802                   |
| Qualitas Food Infrastructure Fund        | -                         | 2,175                     | -                         | 2,175                   |
| Qualitas Seniors Housing Fund            | -                         | 1,560                     | -                         | 1,560                   |
| Qualitas US Office Fund                  | -                         | 2,699                     | -                         | 2,699                   |
| Qualitas Real Estate Income Fund         | 8,594                     | -                         | -                         | 8,594                   |
|  | <u>8,594</u>              | <u>16,656</u>             | <u>3,602</u>              | <u>28,852</u>           |

**Transfers between levels of financial assets and liabilities**

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.

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

|   | <b>\$'000<br/>2022</b> | <b>\$'000<br/>2021</b> |
|---|------------------------|------------------------|
| <b>Balance at 1 July</b>                    | 3,602                  | -                      |
| <b>Level 3 assets acquired</b>              | -                      | 5,494                  |
| <b>Loss included in 'finance costs'</b>     |                        |                        |
| Net change in fair value (unrealised)       | -                      | -                      |
| Additional net investment during the period | -                      | 430                    |
| Capital returned during the period          | -                      | -                      |
| <b>Balance at 31 December</b>               | <u>3,602</u>           | <u>5,924</u>           |

## 5 Financial risk management

### (a) Overview

The Group's activities expose it to a variety of financial risks. The Group has in place a risk management framework to identify and manage the financial risks in accordance with its investment objectives 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.

Financial risk management as it relates to balance sheet investments made by the Group would fall under the realm of the Qualitas Investment Committee. In terms of other risks relating to the Group, these are captured in the Risk Register which is part of the Group's risk appetite statement which is overseen by the Audit, Risk & Compliance Committee. Arch Finance, a subsidiary of the Group operates with its own specific risk register and risk framework in relation to its mortgage business.

### (b) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts when they fall due and arises principally from the Group's mortgage assets.

#### *Investments*

The Group is exposed to credit risk 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.

#### *Other Assets*

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.

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.

#### *Mortgage Loans*

The Group is exposed to credit risk primarily on loans secured by first mortgage through its Arch Finance business as noted above the Arch Finance operates its own risk register and risk framework related to its mortgage business.

As part of its lending policies and processes, the Group identifies and manages credit risk of mortgage 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;
- consideration of downside risks;
- ESG considerations

The Group identifies and monitors key risks of the loans 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, security ranking, loan maturity, loan to value ratio, and property sector and geography of security.

The terms of the interest-bearing notes used to fund the mortgage loans held by Arch Finance Warehouse Trust include loan eligibility criteria. This includes maximum loan-to-value ratios of 75%, geographical diversification guidelines and limits, and guidelines and limits on the type of property secured against the loans.

## 5 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 consolidated Statement of Financial Position as outlined below:

|  | 31 December 2022<br>\$'000 | 30 June 2022<br>\$'000 |
|--|----------------------------|------------------------|
| Cash and cash equivalents                      | 159,411                    | 309,010                |
| Trade and other receivables                    | 16,153                     | 15,452                 |
| Loan receivables                               | 88,923                     | -                      |
| Mortgage loans                                 | 355,194                    | 369,368                |
| <i>Investments measured at amortised cost:</i> |                            |                        |
| Term deposits                                  | 41,073                     | 404                    |
| Qualitas Construction Debt Fund                | 1,085                      | 1,136                  |
| Qualitas Build to Rent Debt Fund               | 113                        | 76                     |
| Qualitas Diversified Credit Investment         | 11,100                     | -                      |
| Other  | 21                         | 165                    |
| Prepayment                                     | 1,668                      | 960                    |
|  | 674,741                    | 696,571                |

The ageing of trade receivables and mortgage loans at 31 December 2022 and 30 June 2022 is outlined below:

#### 31 December 2022

|  | <i>Gross amount</i><br>\$'000 | <i>Allowance for ECL</i><br>\$'000 |
|--|-------------------------------|------------------------------------|
| <i>Ageing of trade and other receivables</i>           |                               |                                    |
| Not past due   | 16,153                        | -                                  |
| <i>Ageing of Arch Finance mortgage loans</i>           |                               |                                    |
| Not past due (12-month ECL)                            | 351,265                       | 307                                |
| 0-30 days past due (12-month ECL)                      | -                             | -                                  |
| More than 30 days past due (lifetime ECL) <sup>1</sup> | 4,578                         | 342                                |

#### 30 June 2022

|  | <i>Gross amount</i><br>\$'000 | <i>Allowance for ECL</i><br>\$'000 |
|--|-------------------------------|------------------------------------|
| <i>Ageing of trade and other receivables</i>           |                               |                                    |
| Not past due   | 15,452                        | -                                  |
| <i>Ageing of Arch Finance mortgage loans</i>           |                               |                                    |
| Not past due (12-month ECL)                            | 361,797                       | 305                                |
| 0-30 days past due (12-month ECL)                      | 4,999                         | 247                                |
| More than 30 days past due (lifetime ECL) <sup>2</sup> | 3,245                         | 121                                |

<sup>1</sup> All of the balance is more than 120 days past due

<sup>2</sup> \$2,800,000 of the balance is less than 60 days past due with the remaining balance more than 120 days past due

(b) Credit risk (continued)

The following tables presents at 31 December 2022 and 30 June 2022 an analysis of the mortgage loans:-

| Credit rating<br>31 December 2022 | At amortised cost |                                    |                                | Total          |
|-----------------------------------|-------------------|------------------------------------|--------------------------------|----------------|
|                                   | 12-month ECL      | Lifetime ECL - not credit-impaired | Lifetime ECL – credit impaired |                |
| Strong                            | 307,652           | -                                  | -                              | 307,652        |
| Good                              | -                 | -                                  | -                              | -              |
| Satisfactory                      | 43,613            | -                                  | -                              | 43,613         |
| Marginal                          | -                 | -                                  | -                              | -              |
| Weak                              | -                 | 4,578                              | -                              | 4,578          |
| <b>Gross carrying amounts</b>     | <b>351,265</b>    | <b>4,578</b>                       | <b>-</b>                       | <b>355,843</b> |
| Loss allowance                    | (307)             | (342)                              | -                              | (649)          |
| <b>Amortised cost</b>             | <b>350,958</b>    | <b>4,236</b>                       | <b>-</b>                       | <b>355,194</b> |
| <b>Carrying amount</b>            | <b>350,958</b>    | <b>4,236</b>                       | <b>-</b>                       | <b>355,194</b> |

| Credit rating<br>30 June 2022 | At amortised cost |                                    |                                | Total          |
|-------------------------------|-------------------|------------------------------------|--------------------------------|----------------|
|                               | 12-month ECL      | Lifetime ECL - not credit-impaired | Lifetime ECL – credit impaired |                |
| Strong                        | 306,854           | 3,500                              | -                              | 310,354        |
| Good                          | -                 | -                                  | -                              | -              |
| Satisfactory                  | 51,443            | -                                  | -                              | 51,443         |
| Marginal                      | -                 | -                                  | -                              | -              |
| Weak                          | 8,245             | -                                  | -                              | 8,245          |
| <b>Gross carrying amounts</b> | <b>366,542</b>    | <b>3,500</b>                       | <b>-</b>                       | <b>370,042</b> |
| Loss allowance                | (673)             | (1)                                | -                              | (674)          |
| <b>Amortised cost</b>         | <b>365,869</b>    | <b>3,499</b>                       | <b>-</b>                       | <b>369,368</b> |
| <b>Carrying amount</b>        | <b>365,869</b>    | <b>3,499</b>                       | <b>-</b>                       | <b>369,368</b> |

To measure the expected credit loss (ECL) of the mortgage assets the Group uses a credit loss model which is calculated by multiplying the probability of default by the exposure at default multiplied by the loss given default.

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 and any interest amount outstanding at reporting date. The Group does not offer loan redraw facilities or loan commitments in its Direct Lending business and therefore there are no undrawn commitments included in the EAD.
- Probability of Default (PD): Given the Group has experienced very few losses in its history, external data has been used to determine an appropriate probability of default measure. All loans in the portfolio are assumed to have an equivalent probability of default to that of a B+ rated Corporate Bond given that the mortgage book is comprised predominately of commercial borrowers.
- Loss Given Default (LGD): the LGD is the magnitude of the ECL in a default event. 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

LGD is adjusted for factors such as the site quality of the secured property, whether the secured property is under construction and whether there is any subordination of the loan.

## 5 Financial risk management (continued)

### (b) Credit risk (continued)

The movement in the allowance for impairment at amortised cost during the period was as follows:

| \$'000  | 12 month ECL | Lifetime ECL –<br>not credit-<br>impaired | Lifetime ECL –<br>credit-impaired | Total |
|---|--------------|---|-----------------------------------|-------|
| <b>Balance at 4 November 2021</b>                                   | -            | -   | -                                 | -     |
| Allowance for expected credit loss<br>acquired under common control | 861          | 1   | -                                 | 862   |
| Net movement during the year  | (188)        | -   | -                                 | (188) |
| <b>Balance at 30 June 2022</b>                                      | 673          | 1   | -                                 | 674   |
| <b>Balance at 1 July 2022</b>                                       | 673          | 1   | -                                 | 674   |
| Net movement during the year  | (366)        | 341                                       | -                                 | (25)  |
| <b>Balance at 31 December 2022</b>                                  | 307          | 342                                       | -                                 | 649   |

The following tables show the movement in the Group's impairment provisions and credit exposures by expected credit loss (ECL) stage.

| \$'000   | 12 month ECL      |           | Lifetime ECL – not<br>credit-impaired |           | Lifetime ECL – credit-<br>impaired |           | Total             |           |
|--|-------------------|-----------|---------------------------------------|-----------|------------------------------------|-----------|-------------------|-----------|
|  | Gross<br>exposure | Provision | Gross<br>exposure                     | Provision | Gross<br>exposure                  | Provision | Gross<br>exposure | Provision |
| <b>Balance at 4 November 2021</b>                    | -                 | -         | -                                     | -         | -                                  | -         | -                 | -         |
| Loans acquired under<br>common control               | 398,939           | 861       | 40                                    | 1         | -                                  | -         | 398,979           | 862       |
| New loans originated                                 | 39,689            | -         | -                                     | -         | -                                  | -         | 39,689            | -         |
| <i>Transfers</i>                                     |                   |           |                                       |           |                                    |           |                   |           |
| Transfers to stage 1                                 | -                 | -         | -                                     | -         | -                                  | -         | -                 | -         |
| Transfers to stage 2                                 | (3,500)           | (1)       | 3,500                                 | 1         | -                                  | -         | -                 | -         |
| Transfers to stage 3                                 | -                 | -         | -                                     | -         | -                                  | -         | -                 | -         |
| Loans repaid   | (68,586)          | (187)     | (40)                                  | (1)       | -                                  | -         | (68,626)          | (188)     |
| Write-offs   | -                 | -         | -                                     | -         | -                                  | -         | -                 | -         |
| <b>Balance at 30 June 2022</b>                       | 366,542           | 673       | 3,500                                 | 1         | -                                  | -         | 370,042           | 674       |
| <b>Balance at 1 July 2022</b>                        | 366,542           | 673       | 3,500                                 | 1         | -                                  | -         | 370,042           | 674       |
| New loans originated                                 | 55,560            | 38        | -                                     | -         | -                                  | -         | 55,560            | 38        |
| <i>Transfers</i>                                     |                   |           |                                       |           |                                    |           |                   |           |
| Transfers to stage 1                                 | -                 | -         | -                                     | -         | -                                  | -         | -                 | -         |
| Transfers to stage 2                                 | (1,078)           | (341)     | 1,078                                 | 341       | -                                  | -         | -                 | -         |
| Transfers to stage 3                                 | -                 | -         | -                                     | -         | -                                  | -         | -                 | -         |
| Loans repaid   | (69,760)          | (295)     | -                                     | -         | -                                  | -         | (69,760)          | (295)     |
| New and Increased<br>Provisions (Net of<br>releases) | -                 | 232       | -                                     | -         | -                                  | -         | -                 | 232       |
| Write-offs   | -                 | -         | -                                     | -         | -                                  | -         | -                 | -         |
| <b>Balance at 31 December 2022</b>                   | 351,264           | 307       | 4,578                                 | 342       | -                                  | -         | 355,842           | 649       |



## 6 Segment information

### (a) Description of segments

An operating segment is a component of a Group that engages in business activities from which it may earn revenue and incur expenses, whose operating results are reviewed regularly by the Group's Managing Director who is 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 expenses 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.

The segment information for the reportable segments is as follows:

### (b) Segment overview

| For the half-year ended 31 December 2022<br>(\$'000) | Funds<br>management | Direct lending | Total    |
|--|---------------------|----------------|----------|
| Interest income                                      | 5,511               | 13,212         | 18,723   |
| Interest expense                                     | (602)               | (9,425)        | (10,027) |
| <b>Net interest income</b>                           | 4,909               | 3,787          | 8,696    |
| Net revenue  | 25,465              | 1,069          | 26,534   |
| Loan impairment expense                              | -                   | 25             | 25       |
| Total expenses                                       | (17,225)            | (2,725)        | (19,950) |
| <b>Segment profit</b>                                | 13,149              | 2,156          | 15,305   |

### Segment financial position information

| As at 31 December 2022<br>(\$'000)             | Funds<br>management | Direct lending | Total   |
|--|---------------------|----------------|---------|
| Cash and cash equivalents                      | 140,599             | 18,812         | 159,411 |
| Mortgage loans                                 | -                   | 355,194        | 355,194 |
| Investments                                    | 86,094              | 83             | 86,177  |
| Other assets                                   | 189,900             | 4,181          | 194,081 |
| <b>Total assets reported by the Group</b>      | 416,593             | 378,270        | 794,863 |
| Loans and borrowings                           | 36,250              | 366,200        | 402,450 |
| Other liabilities                              | 30,667              | 7,323          | 37,990  |
| <b>Total liabilities reported by the Group</b> | 66,917              | 373,523        | 440,440 |

**6 Segment information (continued)**

| For the period 4 November to 31 December 2021<br>(\$'000) | Funds<br>management | Direct lending | Total   |
|---|---------------------|----------------|---------|
| Interest income   | 31                  | 659            | 690     |
| Interest expense  | (43)                | (338)          | (381)   |
| <b>Net interest income</b>                                | (12)                | 321            | 309     |
| Net revenue   | 1,939               | 75             | 2,014   |
| Loan impairment expense                                   | -                   | 187            | 187     |
| Total expenses  | (4,969)             | (178)          | (5,147) |
| <b>Segment profit</b>                                     | (3,042)             | 405            | (2,637) |

**Segment financial position information**

| As at 30 June 2022<br>(\$'000)                 | Funds<br>management | Direct lending | Total   |
|--|---------------------|----------------|---------|
| Cash and cash equivalents                      | 292,256             | 16,754         | 309,010 |
| Mortgage loans                                 | -                   | 369,368        | 369,368 |
| Investments                                    | 32,051              | 83             | 32,134  |
| Other assets                                   | 98,423              | 3,829          | 102,252 |
| <b>Total assets reported by the Group</b>      | 422,730             | 390,034        | 812,764 |
| Loans and borrowings                           | 36,672              | 379,864        | 416,536 |
| Other liabilities                              | 34,088              | 7,572          | 41,660  |
| <b>Total liabilities reported by the Group</b> | 70,760              | 387,436        | 458,196 |

**7 Income from the provision of financial services and performance fees**

**(a) Performance Fees**

|                  | For the half-year ended<br>31 December 2022<br>\$'000 | For the period 4<br>November to 31<br>December 2021<br>\$'000 |
|------------------|---|---|
| Performance fees | <u>2,035</u>  | <u>858</u>  |

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 crystallised 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 half-year ended 31 December 2022 relate to Qualitas Construction Debt Fund I, Qualitas Mezzanine Debt Fund and other co-investment projects. Of the \$2,035,000 performance fees recognised during the period, an amount of \$10,000 was received during the year with the balance not yet received recorded on the consolidated statement of financial position as accrued performance fees.

**7 Income from the provision of financial services and performance fees (continued)**

**(b) Income from the provision of financial services**

|  | For the half-year ended<br>31 December 2022 | For the period 4<br>November to 31<br>December 2021 |
|--|---|---|
|  | \$'000                                      | \$'000  |
| <i>Arrangement, establishment and mandate fees</i> | 5,645                                       | 322   |
| <i>Management fees</i>                             | 15,535                                      | 726   |
| <i>Distributions from funds and projects</i>       | 1,213                                       | 18  |
| <i>Portfolio and ancillary fees</i>                | 554   | 16  |
|  | 22,947                                      | 1,082   |

**8 Interest income and interest expense**

|  | For the half-year ended<br>31 December 2022 | For the period 4<br>November to 31<br>December 2021 |
|--|---|---|
|  | \$'000                                      | \$'000  |
| <b>Interest income</b>   |   |   |
| Interest income on project loans, mortgages, bank balances and term deposits:    |   |   |
| - Arch Finance – mortgage loans  | 16,109                                      | 659   |
| - Qualitas Limited   | 2,614                                       | 31  |
| Total interest income  | 18,723                                      | 690   |
| <b>Interest expense</b>  |   |   |
| Interest expense on interest bearing notes - bank & other financial institutions | (9,975)                                     | (378)   |
| Lease interest expense   | (52)  | (3)   |
| Total interest expense   | (10,027)                                    | (381)   |
| Net interest income recognised in profit or loss                                 | 8,696                                       | 309   |

**9 Income tax**

**(a) Reconciliation of income tax expense**

|  | For the half-year ended 31<br>December 2022 | For the period 4 November<br>to 31 December 2021 |
|--|---|--|
|  | \$'000                                      | \$'000   |
| <b>Recognised in the condensed consolidated interim statement of profit or loss and other comprehensive income</b> |   |  |
| Current period   | 5,670                                       | (1,926)  |
| <b>Deferred tax (benefit)/expense</b>  |   |  |
| Origination and reversal of temporary differences  | (1,057)                                     | 1,135  |
|  | 4,613                                       | (791)  |
| <b>Reconciliation between tax expense and profit</b>   |   |  |
| Profit before income tax   | 15,305                                      | (2,637)  |
| Income tax using domestic corporation tax rate of 30% (2021: 30%)  | 4,591                                       | (791)  |
| Net movement in income tax due to:   |   |  |
| Non-deductible expenses  | 32  | -  |
| Non-assessable income  | -   | -  |
| Utilisation of prior year tax losses not previously recognised   | -   | -  |
| Tax adjustments for prior year over/(under) provision  | (10)  | -  |
| Income tax (benefit)/expense on profit   | 4,613                                       | (791)  |

## 10 Related parties

The loan receivables balance includes transactions with related parties as described below.

During the period, the Group established a liquidity lending facility to Qualitas Funds. The facility has a limit of \$125,000,000 and was drawn to \$41,873,952 by related parties as at 31 December 2022. The facility earns interest and is on mutually agreed commercial terms.

During the period, the Group also entered into a loan agreement with a Qualitas Fund with a facility limit of \$30,000,000 which was drawn to \$25,544,890 at 31 December 2022. The facility earns interest and is on mutually agreed commercial terms.

Other than described above, there have been no significant changes to the arrangements with related parties since the year ended 30 June 2022.

## 11 Loans and borrowings

|   | As at 31 December 2022<br>\$'000 | As at 30 June 2022<br>\$'000 |
|---|----------------------------------|------------------------------|
| Interest bearing notes – banks & other financial institutions | 362,206                          | 375,923                      |
| Project funding loans   | 22,388                           | 21,960                       |
| Qualitas Real Estate Income Fund manager loan                 | 15,159                           | 15,830                       |
|   | 399,753                          | 413,713                      |

## 12 Capital, reserves and dividends

### (a) Issued capital

|   | \$'000   | Number of shares |
|---|----------|------------------|
| Opening balance at 4 November 2021  | -        | -                |
| Contributions of capital  | 335,000  | 134,000,000      |
| Shares issued for consideration of Qualitas Property Partners Pty Ltd and Qualitas Investments Unit Trust | 400,000  | 160,000,000      |
| IPO costs reflected through equity (tax effected)   | (11,859) | -                |
| Closing balance at 30 June 2022   | 723,141  | 294,000,000      |
| Opening balance at 1 July 2022  | 723,141  | 294,000,000      |
| Options issued  | 361      | -                |
| IPO costs reflected through equity (tax effected)   | (15)     | -                |
| Shares issued   | -        | 2,016,053        |
| Closing balance at 31 December 2022 (including Treasury shares)   | 723,487  | 296,016,053      |
| Less Treasury shares  | -        | (3,260,424)      |
| Closing balance at 31 December 2022 (excluding Treasury shares)   | 723,487  | 292,755,629      |

### (b) Treasury shares

When shares recognized are repurchased, the amount of consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

### (c) Dividends

On 18 August 2022, the Directors declared a fully franked dividends of 4 cents per share which amounted to \$11,760,000 and was paid on 8 September 2022 with a record date of 24 August 2022.

On 22 February 2023, the Directors declared an interim fully franked dividends of 2 cents per share which amounted to \$5,920,321 to be paid on 4 April 2023 with a record date of 7 March 2023.

### (d) Franking account

The amount of Australian franking credits available at the 30% tax rate to the Group for subsequent years is \$15.9 million. This is calculated from the franking account at year end adjusted for franking credits that will arise from the payment of income tax on profits for the current reporting period.

## 12 Capital, reserves and dividends (continued)

### (e) Reserves

#### *Share based payments reserve*

The share based payments reserve arises on the grant of options, performance rights and deferred share rights to select employees under the Company's equity-based remuneration plans.

#### *Common control reserve*

The difference between the purchase consideration and the net assets acquired on the restructure under common control, were accounted for in equity and transferred to a common control reserve.

#### *Treasury share reserve*

The reserve for the Group's treasury shares comprised the cost of the Company's shares held by the Group. At 31 December 2022, the Group held 3,260,424 shares.

## 13 Share based payments

### (a) Description of share-based payment arrangement

At 31 December 2022 and 30 June 2022, the Group had the following share-based payment arrangements:

#### (i) Short term incentive plan ("STI")

The Board has determined that the current remuneration policy for senior management and other selected employees of the Group will include a STI. Under the STI, participants will have an opportunity to receive an incentive payment calculated as a percentage of their Fixed annual remuneration each year, conditional upon performance against a scorecard of financial and non-financial measures. The performance measures against which each participant's STI is assessed and their relative weightings are set by the Board each year. In addition, the Board will have the discretion to reduce any FY23 STI (by up to 100%) due to poor behaviour.

Under the STI, it is intended that the first \$100,000 of any STI award will be paid in cash, as well as 50% of the remaining award. The other 50% of the remaining award will be paid in equity, which will be deferred for 2 further years. The equity will be granted subject to the terms of the Qualitas Employee Equity Plan ("QEEP").

The terms and conditions related to the grants under these programs are as follows, all options are to be settled by the physical delivery of shares:

| <b>31 December 2022</b>                 |                                     |                           |                                   |
|---|-------------------------------------|---------------------------|-----------------------------------|
| <b>Grant date/employees entitled</b>    | <b>Number of awards<sup>3</sup></b> | <b>Vesting conditions</b> | <b>Contractual life of awards</b> |
| Key Management Personnel – 30 June 2022 | 229,147                             | Per above                 | 2 years                           |
| All other employees – 30 June 2022      | 375,340                             | Per above                 | 2 years                           |
| <b>30 June 2022</b>                     |                                     |                           |                                   |
| <b>Grant date/employees entitled</b>    | <b>Number of awards<sup>4</sup></b> | <b>Vesting conditions</b> | <b>Contractual life of awards</b> |
| Key Management Personnel – 30 June 2022 | 229,147                             | Per above                 | 2 years                           |
| All other employees – 30 June 2022      | 375,340                             | Per above                 | 2 years                           |

No change to 30 June 2022 as formal staff review is undertaken on an annual basis at 30 June each year.

#### (ii) Employee Equity Award

Select employees were granted Share rights at Listing which will vest in two tranches; 50% on the third anniversary of the Listing Date, and the remaining 50% on the fifth anniversary of the Listing Date, subject to the continued tenure of the participants (Employee Equity Award). The total face value of all grants made under the Employee Equity Plan was \$2,000,000 of which \$385,000 has been forfeited to date. The number of Share rights granted to participants was calculated by dividing the face value of the individual grant by the Offer Price. The Employee Equity Award will be granted under the terms of the Qualitas Employee Equity Plan (QEEP).

| <b>31 December 2022</b>                     |                                     |                           |                                   |
|---|-------------------------------------|---------------------------|-----------------------------------|
| <b>Grant date/employees entitled</b>        | <b>Number of awards<sup>5</sup></b> | <b>Vesting conditions</b> | <b>Contractual life of awards</b> |
| Key Management Personnel – 16 December 2022 | 50,000                              | Per above                 | 3 & 5 years                       |
| All other employees– 16 December 2022       | 596,000                             | Per above                 | 3 & 5 years                       |
| <b>30 June 2022</b>                         |                                     |                           |                                   |
| <b>Grant date/employees entitled</b>        | <b>Number of awards<sup>6</sup></b> | <b>Vesting conditions</b> | <b>Contractual life of awards</b> |
| Key Management Personnel – 16 December 2022 | 50,000                              | Per above                 | 3 & 5 years                       |
| All other employees– 16 December 2022       | 670,000                             | Per above                 | 3 & 5 years                       |

<sup>3</sup> No awards were forfeited during the year

<sup>4</sup> No awards were forfeited during the year

<sup>5</sup> No awards were granted during the period with 74,000 awards forfeited during the period, resulting in a closing balance of 646,000

<sup>6</sup> 800,000 awards were granted during the period with 80,000 awards forfeited during the period, resulting in a closing balance of 720,000

**13 Share based payments (continued)**

**(iii) Legacy Employee Equity Plan (“Intergen”)**

Under InterGen, employees (and their controlled entities) were able to acquire a beneficial interest in non-ordinary shares in Qualitas Property Partners Pty Ltd and non-ordinary units in the Qualitas Investments Unit Trust via a limited recourse loan. These shares and units were converted into 3,011,352 shares (of which 829,580 has been forfeited) shortly prior to completion. A total of 1,244,362 shares have been forfeited since inception with 414,782 forfeited during the period, in accordance with the Restructure Deed. These shares will vest in two tranches; 50% on the third anniversary of the Listing Date, and the remaining 50% on the fifth anniversary of the Listing Date, subject to the continued tenure of the participants. Andrew Schwartz, Mark Fischer and Philip Dowman do not participate in the Legacy Employee Equity Plan

**31 December 2022**

| Grant date/employees entitled                 | Number of awards       | Vesting conditions | Contractual life of awards |
|---|------------------------|--------------------|----------------------------|
| Key Management Personnel – 24 September 2021* | -                      | -                  | -                          |
| All other employees – 24 September 2021*      | 1,766,980 <sup>7</sup> | Per above          | 3 & 5 years                |

**30 June 2022**

| Grant date/employees entitled                 | Number of awards       | Vesting conditions | Contractual life of awards |
|---|------------------------|--------------------|----------------------------|
| Key Management Personnel – 24 September 2021* | -                      | -                  | -                          |
| All other employees – 24 September 2021*      | 2,181,772 <sup>8</sup> | Per above          | 3 & 5 years                |

\*Legacy award

**(iv) Non-Executive Director Share rights compensation**

Non-Executive Directors were granted 170,000 rights as compensation for contribution to the Group prior to listing. These rights were exercised during the period ending 30 June 2022 and as such the balance of rights held at the end of 30 June 2022 is nil.

**(v) Long-Term Incentive Loan Plan (“Loan Plan”)**

The Company granted Loan Shares to the Group Managing Director as a long-term incentive (LTI) under the new Loan Plan at the Company’s Annual General meeting on 18 November 2022. The LTI under the Loan Plan carries a maximum opportunity of \$1,500,000. An interest-free limited recourse loan of \$4.9m was provided by the Company to the Group Managing Director to purchase 2,016,053 newly issued shares. An independent valuation was obtained to determine the value of the loan and the maximum number of shares that were to be issued.

In line with the Prospectus, the Board approved its first grant of rights under the Executive LTI Plan during the period. The rights granted under the FY23 Executive LTI are against KPIs measured over a 3-year performance period from 1 July 2022 to 30 June 2025. The total number of LTI rights granted is 1,064,085.

**(b) Measurement of fair value**

**(i) Equity-settled share-based payment arrangements**

The Fair value of the employee share purchase plan has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

The requirement that the employee has to serve in order to purchase shares under the share purchase plan has been incorporated into the fair value at grant date by applying a discount to the valuation obtained. The discount has been determined by estimating the probability that the employee will stop serving based on historical behaviour.

<sup>7</sup> 414,782 shares forfeited during the period and held in an Employee Share Trust. The resulting closing balance is 1,766,980

<sup>8</sup> 3,011,352 shares were granted during the period with 829,580 shares forfeited during the period and held in an Employee Share Trust. The resulting closing balance is 2,181,772

**13 Share based payments (continued)**

**(b) Measurement of fair value (continued)**

**(ii) Equity-settled share-based payment arrangements (continued)**

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows.

| 31 December 2022                                  | Short Term Incentive     |   | Employee Equity Plan     |   | Intergen                 |   |
|---|--------------------------|---|--------------------------|---|--------------------------|---|
|   | Key Management Personnel | All other employees including senior management | Key Management Personnel | All other employees including senior management | Key Management Personnel | All other employees including senior management |
| Fair Value at grant date                          | \$1.56                   | \$1.56  | \$2.28 & \$2.15*         | \$2.28 & \$2.15*                                | n/a                      | \$0.013 & \$0.017*                              |
| Security price at grant date                      | \$1.56                   | \$1.56  | 2.60                     | 2.60  | n/a                      | \$0.07  |
| Exercise price                                    | n/a                      | n/a   | n/a                      | n/a   | n/a                      | -   |
| Expected volatility (Weighted average volatility) | n/a                      | n/a   | 37.50%                   | 37.50%  | n/a                      | 37.50%  |
| Option life (expected weighted average life)      | n/a                      | n/a   | 4 years                  | 4 years   | n/a                      | 4 years   |
| Expected dividends                                | n/a                      | n/a   | 3%                       | 3%  | n/a                      | 3%  |
| Risk-free interest rate                           | n/a                      | n/a   | 0.12%                    | 0.12%   | n/a                      | 0.12%   |

| 30 June 2022                                      | Short Term Incentive     |   | Employee Equity Plan     |   | Intergen                 |   |
|---|--------------------------|---|--------------------------|---|--------------------------|---|
|   | Key Management Personnel | All other employees including senior management | Key Management Personnel | All other employees including senior management | Key Management Personnel | All other employees including senior management |
| Fair Value at grant date                          | \$1.56                   | \$1.56  | \$2.28 & \$2.15*         | \$2.28 & \$2.15*                                | n/a                      | \$0.013 & \$0.017*                              |
| Security price at grant date                      | \$1.56                   | \$1.56  | 2.60                     | 2.60  | n/a                      | \$0.07  |
| Exercise price                                    | n/a                      | n/a   | n/a                      | n/a   | n/a                      | -   |
| Expected volatility (Weighted average volatility) | n/a                      | n/a   | 37.50%                   | 37.50%  | n/a                      | 37.50%  |
| Option life (expected weighted average life)      | n/a                      | n/a   | 4 years                  | 4 years   | n/a                      | 4 years   |
| Expected dividends                                | n/a                      | n/a   | 3%                       | 3%  | n/a                      | 3%  |
| Risk-free interest rate                           | n/a                      | n/a   | 0.12%                    | 0.12%   | n/a                      | 0.12%   |

\*Multiple values recorded for fair value at grant date for Employee Equity Plan and Intergen arrangements, reflecting the due service period of 3 and 5 years respectively.

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

**(iii) Expense recognised in the profit or loss**

The share-based payment expense incurred in the period was \$543,326 (2021: \$20,738).

**14 Contingent assets and liabilities and commitments**

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 31 December 2022, and has not been provided for, is not expected to affect its financial position in any material way, either individually or in aggregate.

**15 Events occurring after the reporting period**

No significant events have occurred since the reporting period which would impact on the financial position of the Group disclosed in the condensed consolidated interim statement of financial position as at 31 December 2022 or on the results and cash flows of the Group for the current reporting period ended on that date.



## Directors' declaration

In the opinion of the Directors of Qualitas Limited:

- (a) The condensed consolidated interim financial statements and notes set out on pages 6 to 27 are in accordance with the *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of the Group's financial position at 31 December 2022 and of its performance for the half-year ended 31 December 2022;
  - (ii) Complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Andrew Fairley AM  
Chairman  
Melbourne  
22 February 2023



# Independent Auditor's Review Report

To the shareholders of Qualitas Limited

## Conclusion

We have reviewed the accompanying **Interim Report** of Qualitas Limited and its controlled entities (the **Group**).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Report of the **Group** does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2022 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Report** comprises:

- Condensed consolidated interim statement of financial position as at 31 December 2022
- Condensed consolidated interim statement of comprehensive income, Condensed consolidated interim statement of changes in equity and Condensed consolidated interim statement of cash flows for the Half-year ended on that date
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information
- The Directors' declaration.

The **Group** comprises Qualitas Limited and the entities it controlled at the Half-year's end or from time to time during the Half-year.

## Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.



## Responsibilities of the Directors for the Interim Report

The Directors of the **Group** are responsible for:

- the preparation of the Interim Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibilities for the Review of the Interim Report

Our responsibility is to express a conclusion on the Interim Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

Rachel Gatt  
Partner

Sydney  
22 February 2023