ASX Announcement

Qualitas Limited (ASX: QAL)

25 February 2025

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 2024.

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

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About Qualitas

Qualitas Limited ACN 655 057 588 (**Qualitas**) is an ASX-listed Australian alternative real estate investment manager with approximately $9.2 billion[1] of committed funds under management.

Qualitas matches global capital with access to attractive risk-adjusted investments in real estate private credit and real estate private equity through a range of investment solutions for institutional, wholesale and retail clients. Qualitas offers flexible capital solutions for its partners, creating long-term value for shareholders, and the communities in which it operates.

For 16 years, Qualitas has been investing through market cycles to finance assets, now with a combined value of over A$27 billion[2] across all real estate sectors. Qualitas focuses on real estate private credit, opportunistic real estate private equity, income producing commercial real estate and build-to-rent residential. The broad platform, complementary debt and equity investing skillset, deep industry knowledge, long-term partnerships, and diverse and inclusive team provides a unique offering in the market to accelerate business growth and drive performance for shareholders.

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.

[1] As at 31 December 2024.
[2] As at 30 June 2024.

Qualitas Limited

ACN 655 057 588

Interim report

For the half-year ended 31 December 2024

Incorporating the requirements of Appendix 4D

Qualitas Limited and its controlled entities
For the six months ended 31 December 2024, under Listing Rule 4.2A

Qualitas Limited Appendix 4D
For the half-year ended 31 December 2024

Details of Reporting Period

Current: For the half-year ended 31 December 2024

Previous corresponding: For the half-year ended 31 December 2023

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 2024 as follows:

Results for announcement to the market

Extracted from the Condensed Consolidated Interim Financial Statements for the half-year ended 31 December 2024. This page and the accompanying 33 pages comprise the half year end financial information given to Australian Securities Exchange (ASX) under Listing Rule 4.2A. The half-year report should be read in conjunction with the annual financial report for the Group for the year ended 30 June 2024.

	2024 $'000	2023 $'000	Change $	Change %
Revenue from ordinary activities	**50,139**	**42,523**	**7,616**	**18%**
Profit/(loss) from ordinary activities after tax attributable to members	**16,277**	**12,557**	**3,720**	**30%**
Net profit/(loss) for the period attributable to members	**16,277**	**12,557**	**3,720**	**30%**

Details of dividends

On 21 August 2024, the Directors declared a fully franked dividend of 5.75 cents per share which amounted to $17,151,967 which was paid on 3 October 2024 with a record date of 12 September 2024.

On 25 February 2025, the Directors declared an interim fully franked dividend of 2.50 cents per share which amounted to $7,504,350 to be paid on 28 March 2025 with a record date of 12 March 2025.

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 $1.23 (2023: $1.21).

Control gained or lost over entities during the period

- Chauvel Capital Investment Services #3 Pty Ltd (wholly owned entity deregistered 25 August 2024)
- Chauvel Capital Investment Services #4 Pty Ltd (wholly owned entity deregistered 25 August 2024)
- Chauvel Capital Investment Services #5 Pty Ltd (wholly owned entity deregistered 25 August 2024)
- Chauvel Capital Investment Services (Ashgrove) Pty Ltd (wholly owned entity deregistered 25 August 2024)
- QPICF Financier (Qld) Pty Ltd (previously A.C.N. 628 444 888 Pty Ltd) (wholly owned entity; control is lost subsequent to the share transfer to Qualitas Private Income Credit Fund occurred on 25 November 2024)
- QREO II Alexandria Mezz Pty Ltd (previously A.C.N. 660 568 605 Pty Ltd and QREO Growth A III Sub Pty Ltd) (wholly owned entity; control is lost subsequent to the share transfer to Qualitas Real Estate Opportunity Fund II occurred on 3 September 2024)
- Qualitas Income Credit 2 Pty Ltd (wholly owned entity established on 10 December 2024)
- Qualitas Income Credit 2 Holdings Pty Ltd (wholly owned entity established on 10 December 2024)

Details of associates and joint venture entities

The Group is part of a joint venture arrangement with Gurner Multifamily Pty Ltd, with the joint venture obtaining control over four initial assets. The Group has joint control and a 50% ownership interest. The joint venture is a strategic partnership to establish a build-to-rent platform.

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 2024 which have been subject to an independent review by the Group's Auditors, KPMG.

Commentary

Additional Appendix 4D disclosure requirements and further information including commentary on significant features of the operating performance, results of segments, trends in performance and other factors affecting the results for the current period are contained in the interim financial report for the 6 months ended 31 December 2024. The condensed consolidated financial statements contained within the interim financial report for the 6 months ended 31 December 2024, on which this report is based, have been reviewed by KPMG.

Qualitas Limited

ACN 655 057 588

Interim financial statements

For the half-year ended 31 December 2024

Qualitas Limited

ACN 655 057 588

Interim financial statements

For the half-year ended 31 December 2024

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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 principal place of business is:
Level 38, 120 Collins Street
Melbourne, VIC 3000

In accordance with a resolution of the Directors of the Company (“Directors”), the Directors present their report together with the consolidated financial report of the Group for the half-year ended 31 December 2024 and the auditor's review report thereon.

Directors

The following persons were Directors of Qualitas (ASX: QAL) during the half-year and up to the date of this report unless otherwise stated.

Andrew Fairley AM	Independent Non-Executive Chairman	Appointed 4 November 2021
Andrew Schwartz	Group Managing Director, Co-founder and Chief Investment Officer	Appointed 4 November 2021
Mary Ploughman	Independent Non-Executive Director	Appointed 4 November 2021
JoAnne Stephenson	Independent Non-Executive Director	Appointed 4 November 2021
Brian Delaney	Non-Independent Non-Executive Director	Appointed 4 November 2021, Retired 23 October 2024
Darren Steinberg	Independent Non-Executive Director	Appointed 1 October 2024

Company Secretary

The Company Secretary of the Company is:

Terrie Morgan	Appointed 8 June 2022

Operating and Financial Review

A review of the Company’s operations during the year, and the results of those operations, are set out below.

Non IFRS

Qualitas results are reported under International Financial Reporting Standards (“IFRS”). The Directors’ report also includes certain non-IFRS measures including Normalised earnings before interest, taxes, depreciation and amortisation (“EBITDA”), Normalised net profit before tax (“NPBT”) and Normalised net profit after tax (“NPAT”). These measures are used internally by management to assess the performance of our business, make decisions on the allocation of our resources and assess operational management. Non-IFRS measures have not been subject to independent review. All non-IFRS information unless otherwise stated has not been extracted from Qualitas’ financial statements and has not been subject to audit or review. Certain figures may be subject to rounding differences. Refer to the reconciliation of statutory earnings to Normalised earnings table below. All amounts are in Australian dollars unless otherwise stated.

Operating result

The net profit after tax of the Company for the half-year ended 31 December 2024 amounted to $16,276,978 (2023: $12,556,614).

Key activities for the period include:

- $2.35bn capital deployed in 1H25[1], up 34% on $1.75bn in 1H24[1].
- Total Fee Earning funds under management (FUM)[2] increased by 41% on 1H24 driven by strong increases in net deployment.
- Total Committed FUM increased to $9.2bn as at 31 December 2024, up 13% on 1H24.
- Funds management revenue increased to $30.8m, up 19% on 1H24 driven by strong growth in Fee Earning FUM and base management fees.
- Funds management EBITDA[3], including performance fees, of $24.0m increased 30% on 1H24 with a margin expansion of 3%.
- Funds management EBITDA[3], excluding performance fees, of $21.2m increased 30% on 1H24 with a margin expansion of 2%. This is reflective of strong base management fees and principal income growth combined with margin expansion.
- Normalised NPBT[3] of $23.2m, up 28% on 1H24 predominantly driven by significant growth in funds management business.
- Statutory NPAT of $16.3m, up 30% on 1H24.

1. 1H25 refers to period between 1 July 2024 and 31 December 2024. 1H24 refers to period between 1 July 2023 and 31 December 2023.
2. Amount earning base management fees. Base management fee structures vary across investment platform including committed FUM, Invested FUM, net asset value, gross asset value, acquisition price and other metrics used to calculate base management fees
3. 1H25 normalised earnings adjusted for abnormal items including QRI capital raising costs ($0.2m) and unrealised MTM gains from Qualitas’ co-investment in QRI ($0.3m). 1H24 normalised earnings adjusted for abnormal items including QRI capital raising costs ($1.0m) and unrealised MTM gains from Qualitas’ co-investment in QRI ($1.0m).

Directors' report (continued)

Operating results (continued)

Normalised EBITDA, Normalised NPBT and Normalised NPAT are reconciled to Statutory EBITDA, Statutory NPBT or Statutory NPBT respectively below.

	Half year to December 2024 $'000	Half year to December 2023 $'000	Change %
Statutory EBITDA	**24,788**	**19,264**	**29%**
(Gain) / loss on mark to market (MTM) value of QRI investment	(313)	(969)	
QRI capital raising costs	211	1,086	
Normalised EBITDA	**24,686**	**19,381**	**27%**
Statutory net profit before tax (NPBT)	**23,275**	**17,938**	**30%**
(Gain) / loss on mark to market (MTM) value of QRI investment	(313)	(969)	
QRI capital raising costs	211	1,086	
Normalised NPBT	**23,173**	**18,055**	**28%**
Statutory net profit after tax (NPAT)	**16,277**	**12,557**	**30%**
(Gain) / loss on mark to market (MTM) value of QRI investment	(219)	(678)	
QRI capital raising costs	148	760	
Normalised NPAT	**16,206**	**12,639**	**28%**

Review of operations

The Company is one of Australia's leading alternative real estate investment managers with extensive operating experience. The Group invests on behalf of its investors in real estate private credit, opportunistic real estate private equity, income producing commercial real estate ("CRE") and build-to-rent ("BTR") residential assets. Qualitas manages predominantly discretionary Funds on behalf of institutional, wholesale and retail clients in Australia, Asia, Middle East, North America and Europe.

Qualitas' objective is to provide Shareholders with attractive risk-adjusted returns through a combination of regular dividend income and capital growth.

Funds management

- ***Real estate private credit***

Funds and mandates managed by Qualitas invest in CRE credit on behalf of Fund investors, including:
- senior and mezzanine loans secured by commercial real estate including pre-development, development and completed properties; and
- lending into growing real estate sectors benefitting from strong structural growth, including BTR assets.

- ***Real estate private equity***

Funds managed by Qualitas invest in real estate assets on behalf of Fund Investors with two key investment strategies across its core equity and opportunistic equity Funds.

Core equity Funds comprise of income-based Funds focused on 'needs' sectors, such as BTR and manufacturing assets, non-discretionary consumer staples, logistics and convenience retail assets that display recurring income characteristics. They typically have attractive rental escalations and resilient cashflows to provide compelling risk-adjusted returns for Fund investors.

Opportunistic equity Funds comprise of total return Funds focused on situational and opportunistic real estate investing, including development joint ventures, recapitalisations, distressed situations and structured or preferred equity investments.

- ***Co-investments and Fund underwriting activities***

As part of Qualitas' investment management business, Qualitas utilises its balance sheet capital in support of its Funds, in order to grow its funds under management ("FUM") and Management Fees by:
- co-investing into Funds alongside Fund investors; and
- underwriting or warehousing investment opportunities for a Fund prior to the launch of the Fund, completion of a capital raising for a Fund or in anticipation of repayment by a Fund.

Directors' report (continued)

Direct Lending

- ***Arch Finance***

Qualitas' direct lending business, Arch Finance, provides CRE debt to borrowers for loans up to $25m. Arch Finance manages and originates the majority of these loans via the Arch Finance Warehouse Trust, which provides first mortgage loans secured against predominantly established income producing or owner-occupied CRE.

From 26 November 2024, under the Accounting Standards, the Group is no longer required to consolidate the Arch Finance Warehouse Trust as the Noteholder Agreement was amended resulting in the loss of effective control by the Group (refer to Note 14).

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 growing the Funds management platform, improving efficiency, attracting new investors while deepening existing relationships and seeking to deploy into large scale investments.

As at 31 December 2024, over 80% of Qualitas' funds under management is in commercial real estate private credit, which is a segment of the commercial lending industry in Australia that is fast growing. The sector benefits from having a low correlation to other geographies while generating superior returns with less fund leverage. As the expected timing of rate cut has shifted earlier into the calendar year 2025, we have observed increasing momentum in commercial real estate private credit deal activity, particularly in the residential sector. This may lead to a supportive cycle fueling global institutional investor interest and fund raising into the sector. Qualitas' ability to originate in scale and access to institutional capital will allow us to be well positioned to capture significant opportunities ahead.

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

Forward looking statements

Statements contained in this report may be forward looking statements. Such statements are inherently speculative and always involve some risk and uncertainty as they relate to events and depend on circumstances in the future, many of which are outside the control of Qualitas. Any forward-looking statements contained in this report are based on a number of assumptions that may prove to be incorrect, and accordingly, actual results or outcomes may vary. Past performance is not indicative of future returns. No representation or warranty is made by or on behalf of Qualitas that any projection, forecast, calculation, forward-looking statement, assumption or estimate contained in this report should or will be achieved.

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.

On 26 November 2024 the Arch Finance Warehouse Trust (100% controlled subsidiary of the Group) Noteholder Agreement was amended resulting in changes to the rights of the primary noteholder. This change resulted in the loss of effective control by the Group of the Arch Finance Warehouse Trust (Warehouse Trust) and as a result under Accounting Standards, the Group would not be required to consolidate the results of the Warehouse Trust from the date of loss of control (refer to Note 14).

Principal activities

During the period, the principal activities of the Group consisted of Funds management and direct lending.

After balance date events

On 25 February 2025, the Directors declared an interim fully franked dividend of 2.50 cents per share which amounted to $7,504,350 to be paid on 28 March 2025 with a record date of 12 March 2025.

No other matter or circumstance has arisen since 31 December 2024 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. The Group is Climate Active certified.

Directors' report (continued)

Dividends

On 21 August 2024, the Directors declared a fully franked dividend of 5.75 cents per share which amounted to $17,151,967 which was paid on 3 October 2024 with a record date of 12 September 2024.

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 6.

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

Andrew Fairley AM
Chairman

Melbourne

25 February 2025

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 2024 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Maria Trinci

Maria Trinci
Partner

Melbourne
25 February 2025

Condensed consolidated interim statement of comprehensive income

	Notes	Half year to 31 December 2024 $'000	Half year to 31 December 2023 $'000
Income			
Interest income	8	**15,846**	**20,892**
Interest expense	8	**(7,363)**	**(10,955)**
Net interest income		**8,483**	**9,937**
Performance fees	7a	**3,095**	**2,673**
Income from the provision of financial services	7b	**31,526**	**26,386**
Total revenue		**34,621**	**29,059**
Other income		**717**	**272**
Distributions from funds and projects		**6,004**	**2,291**
Net gains/(losses) on financial instruments held at fair value through profit or loss		**314**	**964**
Total other income		**7,035**	**3,527**
Total income		**50,139**	**42,523**
Loan impairment reversal/(expense)		**198**	**(37)**
Expenses			
Employee costs		**(19,791)**	**(17,283)**
Marketing costs		**(479)**	**(461)**
Consulting and professional fees		**(949)**	**(1,120)**
Travel expenses		**(495)**	**(394)**
Depreciation and amortisation		**(1,278)**	**(1,019)**
Insurance costs		**(786)**	**(899)**
Capital raising costs - QRI		**(211)**	**(1,086)**
Other operating expenses		**(2,717)**	**(1,872)**
Total operating expenses		**(26,706)**	**(24,134)**
Equity accounted investments		**(356)**	**(414)**
Profit before income tax		**23,275**	**17,938**
Income tax benefit/(expense)	9	**(6,998)**	**(5,381)**
Profit for the period		**16,277**	**12,557**
Other comprehensive income		**-**	**-**
Total comprehensive income for the period		**16,277**	**12,557**
Total comprehensive income attributable to:			
Owners of Qualitas Limited		**16,277**	**12,557**
Earnings per share for profit attributable to shareholders of the Group			
Basic earnings per share (cents)		**5.59**	**4.29**
Diluted earnings per share (cents)		**5.44**	**4.22**

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 31 December 2024 $'000	As at 30 June 2024 $'000
Assets			
Cash and cash equivalents		**105,101**	**194,381**
Trade and other receivables		**30,950**	**33,089**
Prepayments		**1,943**	**1,231**
Loans	10	**48,295**	**14,238**
Accrued performance fees		**37,324**	**36,688**
Intangible assets		**1,814**	**1,146**
Right-of-use assets		**2,513**	**3,035**
Property, plant and equipment		**1,937**	**795**
Deferred tax asset		**9,341**	**8,195**
Investments		**175,591**	**106,732**
Equity accounted investees		**3,648**	**3,696**
Inventories		**26,190**	**25,473**
Mortgage loans	14	**-**	**276,490**
Intangible asset - capitalised contract costs		**2,606**	**2,943**
Total assets		**447,253**	**708,132**
Liabilities			
Trade and other payables		**16,713**	**23,108**
Deferred income		**2,228**	**3,078**
Employee benefits – accrued incentives		**14,894**	**16,469**
Employee benefits – accrued annual leave and long service leave		**3,644**	**3,173**
Lease liability		**2,664**	**3,154**
Loans and borrowings	11,14	**39,244**	**292,138**
Total liabilities		**79,387**	**341,120**
Net assets		**367,866**	**367,012**
Equity			
Issued capital	12	**727,183**	**725,135**
Retained earnings		**19,184**	**20,013**
Share based payments reserve		**3,904**	**4,269**
Common control reserve		**(382,405)**	**(382,405)**
Total equity		**367,866**	**367,012**

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	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2023 (restated[4])	724,267	16,728	1,899	(382,405)	360,489
Total comprehensive income for the period					
Profit after tax for the period	-	12,557	-	-	12,557
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-
Transactions recorded directly in equity					
Contributions of capital	58	-	-	-	58
IPO costs reflected directly through equity (net of tax)	379	-	-	-	379
Options issued	-	-	-	-	-
Share-based payments	-	-	1,016	-	1,016
Dividends paid	-	(16,212)	-	-	(16,212)
Balance at 31 December 2023 (restated[4])	**724,704**	**13,073**	**2,915**	**(382,405)**	**358,287**
Balance at 1 July 2024	725,135	20,013	4,269	(382,405)	367,012
Total comprehensive income for the period					
Profit after tax for the period	-	16,277	-	-	16,277
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-
Transactions recorded directly in equity					
Contributions of capital	131	-	-	-	131
IPO costs reflected directly through equity (net of tax)	379	-	-	-	379
Transfer from share-based payment reserve for vested awards	1,538	-	(1,538)	-	-
Awards vested	-	-	(49)	-	(49)
Share-based payments	-	-	1,222	-	1,222
Dividends paid	-	(17,106)	-	-	(17,106)
Balance at 31 December 2024	**727,183**	**19,184**	**3,904**	**(382,405)**	**367,866**

[4] *The comparative information was voluntarily restated on account of correction of prior period errors. Please refer to the Qualitas Limited 30 June 2024 annual financial statements for further information.*

Condensed consolidated interim statement of cash flows

	Half-year ended 31 December 2024 $'000	Half-year ended 31 December 2023 $'000
Cash flows from operating activities		
Interest received	15,757	20,873
Interest paid	(7,363)	(10,915)
Receipts from provision of financial services and performance fees	39,211	23,857
Payments to suppliers, employees and others	(30,240)	(24,793)
Interest paid in relation to lease liabilities	(103)	(40)
Funds recoverable costs	(218)	(2,049)
Payments in relation to projects	(717)	(60)
Tax received/(paid)	(10,862)	(2,928)
Mortgage loans advanced	(15,702)	(13,326)
Mortgage loans repaid	55,782	49,621
Investments acquired	(43,339)	(66,469)
Investments disposed	1,559	430
Loans advanced	(238,770)	(412,635)
Loans repaid	206,329	493,191
Net cash movement from operating activities	(28,676)	54,757
Cash flows from investing activities		
Loss of control of subsidiary cash balance	(11,470)	-
Payments for Property, plant and equipment	(1,274)	(135)
Net cash movement from investing activities	(12,744)	(135)
Cash flows from financing activities		
Payment of lease liabilities	(483)	(434)
Proceeds from loans and borrowings	18,813	3,737
Repayments of loans and borrowings	(49,166)	(34,008)
Contributions of capital	131	58
Payment of IPO costs (net of tax)	-	379
Shares vested	(49)	-
Dividends paid	(17,106)	(16,212)
Net cash movement from financing activities	(47,860)	(46,480)
Net increase in cash and cash equivalents	(89,280)	8,142
Cash and cash equivalents at the beginning of the period	194,381	192,369
Cash and cash equivalents at the end of the period	105,101	200,511

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

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 was incorporated on 4 November 2021, listed on the ASX on 16 December 2021 on a conditional and deferred basis and commenced trading and operations on 22 December 2021. The ASX ticker is QAL.

2 Basis of preparation

These condensed consolidated interim financial statements as at and for the half-year ended 31 December 2024 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 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 junction with the 2024 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 2024.

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 25 February 2025.

(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 and estimations involve:

- Revenue recognition in relation to performance fees. The estimation is based on hurdle and time constraint of the Funds;
- Net realisable value of inventories. This involves estimation of forecast costs, sales and net profit from relevant projects;
- Fair value (refer to note 4);
- Recognition and measurement of deferred tax assets are based on the assumption that future taxable profit will be available to be utilised in the future; and
- Credit risk relating to financial assets (Expected Credit Loss).

3 Changes in material 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 2024.

A number of new standards are effective for annual periods beginning after 1 July 2024 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:

- Non-current liabilities with covenants and classification of liabilities as current or non-current (Amendments to IAS 1)
- Lease liability in a sale and leaseback (Amendments to IFRS 16)
- Supplier finance arrangements (Amendments to IAS 7 and IFRS 7)

The following standards are issued but not yet effective:

- Lack of exchangeability (Amendments to IAS 21)
- Sale or contribution of assets between investor and its associate or joint venture (Amendments to IAS 10 and 28)

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 under level one FV hierarchy, 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 2024, 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 2024, 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 investments held in 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 of the underlying assets. A 10% shift in market capital rates would have a +/- $435k 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.

The tables below sets out the Group's financial assets and liabilities measured at their carrying amount and fair value at 31 December 2024 and 30 June 2024.

	Carrying amount		
As at 31 December 2024	**Fair value through profit or loss $'000**	**Financial assets/ (financial liabilities) at amortised cost $'000**	**Carrying amount $'000**
Financial assets measured at fair value			
Qualitas Co-Investments	4,353	-	4,353
Qualitas Investments	58,750	-	58,750
Financial assets not measured at fair value			
Qualitas Investments	-	55,529	55,529
Loan Notes held in Warehouse Trust	-	26,717	26,717
Qualitas Loan Investments	-	30,156	30,156
Other	-	20	20
Term deposits	-	66	66
Cash and cash equivalents	-	105,101	105,101
Loans		48,295	48,295
Trade receivables and other assets	-	30,950	30,950
Prepayments	-	1,943	1,943
Financial liabilities not measured at fair value			
Payables	-	(16,713)	(16,713)
Lease liability	-	(2,664)	(2,664)
Loans and borrowings	-	(39,244)	(39,244)
	63,103	240,156	303,259

4 Fair value measurements (continued)

As at 30 June 2024	Carrying amount Fair value through profit or loss $'000	Financial assets/ (financial liabilities) at amortised cost $'000	Carrying amount $'000
Financial assets measured at fair value			
Qualitas Co-Investments	3,677	-	3,677
Qualitas Investments	42,768	-	42,768
Financial assets not measured at fair Value			
Qualitas Investments	-	34,655	34,655
Qualitas Loan Investments		25,548	25,548
Other	-	20	20
Mortgage loans	-	276,490	276,490
Term deposits	-	64	64
Cash and cash equivalents	-	194,381	194,381
Loans		14,238	14,238
Trade receivables and other assets	-	33,089	33,089
Prepayments	-	1,231	1,231
Financial liabilities not measured at fair value			
Payables	-	(23,108)	(23,108)
Lease liability	-	(3,154)	(3,154)
Loans and borrowings	-	(292,138)	(292,138)
	46,445	261,316	307,761

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 2024 and 30 June 2024:

As at 31 December 2024	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value				
Qualitas Co-Investments	-	-	4,353	4,353
Qualitas Investments	16,429	42,321	-	58,750
	16,429	42,321	4,353	63,103

As at 30 June 2024	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value				
Qualitas Co-Investments	-	-	3,677	3,677
Qualitas Investments	10,156	32,612	-	42,768
	10,156	32,612	3,677	46,445

4 Fair value measurements (continued)

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:

	2024 $'000	2023 $'000
Balance at 1 July	3,677	3,591
Level 3 assets acquired	-	-
Loss included in 'finance costs'		
Net change in fair value (unrealised)	-	-
Additional net investment during the period	676	-
Capital returned during the period	-	-
Balance at 31 December	4,353	3,591

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. The 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 and Compliance Committee.

(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 will not have a material impact to the Group's financial position.

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.

5 Financial risk management (continued)

(b) Credit risk (continued)

Mortgage loans

The Group is exposed to credit risk primarily on loans secured by first mortgage through its Arch Finance 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; and
- 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 the loan eligibility criteria. This includes maximum loan-to-value ratios, guidelines and limits for geographical diversification and on the type of property secured against the loans.

On 26 November 2024 the Arch Finance Warehouse Trust (100% controlled subsidiary of the Group) Noteholder Agreement was amended resulting in changes to the rights of the primary noteholder. This change resulted in the loss of control by the Group of the Arch Finance Warehouse Trust (Warehouse Trust) and therefore the Group is no longer required to consolidate the results of the Warehouse Trust from the date of loss of control (refer to Note 14).

Loans

The Group is exposed to minimal credit risk through loans provided by the Liquidity Lending Facility. The credit risks have been transferred to the Funds in the event of defaulting loans.

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 2024 $'000	30 June 2024 $'000
Cash and cash equivalents	105,101	194,381
Trade and other receivables	30,950	33,089
Loans	48,295	14,238
Mortgage loans	-	276,490
Investments measured at amortised cost:		
Term deposits	66	64
Qualitas Investments	55,529	34,655
Loan Notes held in Warehouse Trust	26,717	-
Qualitas Loan Investments	30,156	25,548
Other	20	20
	296,834	578,485

5 Financial risk management (continued)

(b) Credit risk (continued)

The ageing of trade receivables and mortgage loans at 31 December 2024 and 30 June 2024 is outlined below:

	31 December 2024 *Gross amount*	*Allowance for ECL*
	$'000	$'000
Ageing of trade and other receivables		
Not past due	30,950	-
Ageing of loans		
Not past due	48,295	-
More than 30 days past due	-	-
Total	79,245	-
Ageing of Arch Finance mortgage loans		
Not past due (12-month ECL)	-	-
0-30 days past due (12-month ECL)	-	-
More than 30 days past due (lifetime ECL)	-	-
Total	-	-
Total Group	79,245	-

	30 June 2024 *Gross amount*	*Allowance for ECL*
	$'000	$'000
Ageing of trade and other receivables		
Not past due	33,089	-
Ageing of loans		
Not past due	14,238	-
More than 30 days past due	-	-
Total	47,327	-
Ageing of Arch Finance mortgage loans		
Not past due (12-month ECL)	265,414	254
0-30 days past due (12-month ECL)	-	-
More than 30 days past due (lifetime ECL)	11,540	210
Total	276,954	464
Total Group	324,281	464

5 Financial risk management (continued)

(b) Credit risk (continued)

As the Group is no longer required to consolidate the results of the Warehouse Trust from the date of loss of control (refer to Note 14), there is no information presented for 31 December 2024. The following tables presents as at 30 June 2024 an analysis of the mortgage loans to assist with prior year analysis of the comparative balance sheet.

30 June 2024

Credit rating	At amortised cost			
	12-month ECL	**Lifetime ECL - not credit-impaired**	**Lifetime ECL – credit impaired**	**Total**
Strong	236,323	-	-	236,323
Good	-	-	-	-
Satisfactory	29,091	-	-	29,091
Marginal	-	-	-	-
Weak	-	8,875	2,665	11,540
Gross carrying amounts	**265,414**	**8,875**	**2,665**	**276,954**
Loss allowance	(254)	(43)	(167)	(464)
Amortised cost	**265,160**	**8,832**	**2,498**	**276,490**
Carrying amount	**265,160**	**8,832**	**2,498**	**276,490**

The table above only assesses risk ratings and ECL calculations against the Arch mortgage portfolio as other loans receivables held on the balance sheet are assessed for impairment individually on a regular basis.

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 real 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.

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

$'000	**12 month ECL**	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired**	**Total**
Balance at 1 July 2024	254	43	167	464
Net movement during the year	12	(43)	(167)	(198)
Loss of control of subsidiary*	(275)	-	-	(275)
ECL on loan notes held in Warehouse Trust*	275	-	-	275
Others	(2)	-	-	(2)
Balance at 31 December 2024	264	-	-	264
Balance at 1 July 2023	426	149	-	575
Net movement during the year	(172)	(106)	167	(111)
Balance at 30 June 2024	254	43	167	464

**Refer to Note 14 for further information*

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 subsidiary Arch Finance and includes costs directly attributable to Arch Finance.

The segment information for the reportable segments is as follows:

(b) Segment overview

For the half-year ended 31 December 2024 ($'000)	**Funds management**	**Direct lending**	**Total**
Interest income	5,712	10,134	15,846
Interest expense	(484)	(6,879)	(7,363)
Net interest income	5,228	3,255	8,483
Net revenue	40,511	789	41,300
Loan impairment expense	11	187	198
Total expenses	(23,762)	(2,944)	(26,706)
Income tax expense	(6,612)	(386)	(6,998)
Segment profit	15,376	901	16,277

Segment financial position information

As at 31 December 2024 ($'000)	**Funds management**	**Direct lending**	**Total**
Cash and cash equivalents	103,383	1,718	105,101
Mortgage loans	-	-	-
Investments	179,189	50	179,239
Other assets	161,652	1,261	162,913
Total assets reported by the Group	444,224	3,029	447,253
Loans and borrowings	39,244	-	39,244
Other liabilities	39,225	918	40,143
Total liabilities reported by the Group	78,469	918	79,387

6 Segment information (continued)

For the half-year ended 31 December 2023 ($'000)	Funds management	Direct lending	Total
Interest income	6,724	14,168	20,892
Interest expense	(911)	(10,044)	(10,955)
Net interest income	5,813	4,124	9,937
Net revenue	31,648	524	32,172
Loan impairment expense	-	(37)	(37)
Total expenses	(21,216)	(2,918)	(24,134)
Income tax expense	(4,873)	(508)	(5,381)
Segment profit	11,372	1,185	12,557

Segment financial position information

As at 30 June 2024 ($'000)	Funds management	Direct lending	Total
Cash and cash equivalents	189,920	4,461	194,381
Mortgage loans	-	276,490	276,490
Investments	110,379	49	110,428
Other assets	124,581	2,252	126,833
Total assets reported by the Group	424,880	283,252	708,132
Loans and borrowings	15,187	276,951	292,138
Other liabilities	45,044	3,938	48,982
Total liabilities reported by the Group	60,231	280,889	341,120

7 Income from the provision of financial services and performance fees

(a) Performance Fees

	For the half-year ended 31 December 2024 $'000	For the half-year ended 31 December 2023 $'000
Performance fees	3,095	2,673

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

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 31 December 2024 $'000	For the half-year ended 31 December 2023 $'000
Arrangement, establishment and mandate fees	7,927	8,377
Management fees	23,309	17,657
Portfolio and ancillary fees	290	352
	31,526	26,386

8 Interest income and interest expense

	For the half-year ended 31 December 2024 $'000	For the half-year ended 31 December 2023 $'000
Interest income		
- Interest income on mortgage loans	10,250	13,969
- Bank balances and term deposits	3,674	3,465
- Liquidity Lending Facility and underwrites	1,832	3,392
- Other	90	66
Total interest income	15,846	20,892
Interest expense		
Interest expense on interest bearing notes - bank & other financial institutions	(7,260)	(10,915)
Lease interest expense	(103)	(40)
Total interest expense	(7,363)	(10,955)
Net interest income recognised in profit or loss	8,483	9,937

9 Income tax

(a) Reconciliation of income tax expense

	For the half-year ended 31 December 2024 $'000	For the half-year ended 31 December 2023 $'000
Recognised in the condensed consolidated interim statement of profit or loss and other comprehensive income		
Current period	5,853	2,813
Deferred tax (benefit)/expense		
Origination and reversal of temporary differences	1,145	2,568
	6,998	5,381
Reconciliation between tax expense and profit		
Profit before income tax	23,275	17,938
Income tax using domestic corporation tax rate of 30% (2023: 30%)	6,983	5,381
Net movement in income tax due to:		
Non-deductible expenses	83	56
Non-assessable income	(60)	(37)
Utilisation of prior year tax losses not previously recognised	-	-
Tax adjustments for prior year over/(under) provision	(8)	(19)
Income tax (benefit)/expense on profit	6,998	5,381

10 Related parties

The loans balance includes transactions with related parties as described below.

The Group has an uncommitted Liquidity Lending Facility with Qualitas Funds. The facility has a limit of $175,000,000 and was not drawn as at 31 December 2024 ($11,630,000 as at 30 June 2024). The facility earns interest and is on arms-length commercial terms.

There is a related party loan with the Group's joint venture (GQ Multifamily Unit Trust) of $4,439,010 as at 31 December 2024 ($2,607,866 at 30 June 2024). This is an unsecured interest free loan.

Other than described above, there have been no significant changes to the arrangements with related parties since the year ended 31 December 2024.

11 Loans and borrowings

	As at 31 December 2024 $'000	As at 30 June 2024 $'000
Interest bearing notes – banks & other financial institutions	-	253,712
Fund Manager Loan	15,067	14,791
Project Funding loan	24,177	23,635
	39,244	292,138

12 Capital, reserves and dividends

(a) Issued capital

	As at 31 December 2024	
	$'000	Number of shares
Opening balance at 1 July 2024	725,135	298,295,084
IPO costs reflected through equity (tax effected)	379	-
Transfer from Treasury shares	1,538	-
Contributions of capital through shares issuance	131	1,878,904
Closing balance at 31 December 2024 (including Treasury shares)	727,183	300,173,988
Less Treasury shares	-	(6,716,035)
Closing balance at 31 December 2024 (excluding Treasury shares)	727,183	293,457,953

	As at 31 December 2023	
	$'000	Number of shares
Opening balance at 1 July 2023	724,267	296,016,053
IPO costs reflected through equity (tax effected)	758	-
Contributions of capital through shares issuance	110	2,279,031
Closing balance at 30 June 2024 (including Treasury shares)	725,135	298,295,084
Less Treasury shares	-	(5,539,444)
Closing balance at 30 June 2024 (excluding Treasury shares)	725,135	292,755,640

(b) Treasury shares

When shares recognised 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 21 August 2024, the Directors declared a fully franked dividend of 5.75 cents per share which amounted to $17,151,967 was paid on 3 October 2024 with a record date of 12 September 2024.

12 Capital, reserves and dividends (continued)

(d) Franking account

The amount of Australian franking credits available at the 30% tax rate to the Group for subsequent years is $14,028,340. This is calculated from the franking account at year end adjusted for franking credits that have arisen from the payment of income tax on profits for the previous and current reporting period.

(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 2024, the Group held 6,716,035 shares (2023: 5,539,444 shares).

13 Share based payments

(a) Description of share-based payment arrangement

At 31 December 2024 and 30 June 2024, 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 FY25 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 QEEP rules provide the Board with broad clawback powers if, for example, the senior executive has acted fraudulently or dishonestly or there is a material financial misstatement.

(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 $665,215 has been forfeited to date with $682,363 vested. 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 QEEP.

(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 1,244,360 have been forfeited to date and 883,496 vested during the year) shortly prior to completion, in accordance with the Restructure Deed, and 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.

(iv) Reconciliation of rights under share-based payment schemes

	Balance 1 July 2024	Grant Date	Granted	Vested	Forfeited	Balance 31 December 2024
Short Term Incentive (STI)*	1,059,464		-	(429,367)	-	630,097
Employee Equity Award	563,914		-	(272,945)	(30,000)	260,969
Legacy Employee Equity Plan (Intergen)	1,766,992		-	(883,496)	-	883,496
Total	3,390,370		-	1,585,808	(30,000)	1,774,562

** Opening balance adjusted for the actual number of awards issued. As at 30 June 2024 the awards were yet to be issued therefore the awards were based on an estimated amount.*

13 Share based payments (continued)

(v) Long-Term Incentive ("LTI")

Loan Plan

The Company granted Loan Shares to the Group Managing Director as a LTI under the Loan Plan at the Company's Annual General meeting on 29 November 2024. The LTI under the Loan Plan carries a maximum opportunity of $1,560,000. An interest-free limited recourse loan of $5,058,763 was provided by the Company to the Group Managing Director to purchase 1,878,904 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.

Executive LTI

In line with the Prospectus, the Board approved a grant of rights under the Executive LTI Plan during the period. The rights granted under the FY25 Executive LTI are against KPIs measured over a 3-year performance period from 1 July 2024 to 30 June 2027. The total number of LTI rights granted is 1,034,858.

(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.

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 2024

	Expected life of rights	Fair Value at grant date	Security price at grant date	Exercise price	Expected dividends	Risk-free interest rate
FY22 STI	2 years	$2.19	$2.19	-	-	-
FY22 Employee Equity Plan	3 - 5 years	$2.15 - $2.28	$2.60	-	3%	0.12%
FY22 Intergen	3 - 5 years	$0.013 - $0.017	$0.07	-	3%	0.12%
FY23 STI	2 years	$2.38	$2.38	-	-	-
FY23 Loan Plan	3.5 years	$0.73	$2.43	$2.43	-	3.21%
FY23 Executive LTI	3 years	$1.26	$1.56	-	3%	1.64%
FY23 Options Offer	5 years	$0.88	$2.66	$2.75	3%	3.62%
FY24 STI	2 years	$2.35	$2.35	-	-	-
FY24 Loan Plan	3.5 years	$0.66	$2.13	$2.13	-	4.19%
FY24 Executive LTI	3 years	$2.46	$2.69	-	3%	1.59%
FY24 Options Offer	5 years	$0.68	$2.27	$2.31	4%	4.53%
FY25 Loan Plan	3.5 years	$0.81	$2.61	$2.61	-	4.19%
FY25 Executive LTI	3 years	$2.09	$2.36	-	4%	1.90%

13 Share based payments (continued)

30 June 2024

	Expected life of rights	Fair Value at grant date	Security price at grant date	Exercise price	Expected dividends	Risk-free interest rate
FY22 STI	2 years	$2.19	$2.19	-	-	-
FY22 Employee Equity Plan	3 - 5 years	$2.15 - $2.28	$2.60	-	3%	0.12%
FY22 Intergen	3 - 5 years	$0.013 - $0.017	$0.07	-	3%	0.12%
FY23 STI	2 years	$2.38	$2.38	-	-	-
FY23 Loan Plan	3.5 years	$0.73	$2.43	$2.43	-	3.21%
FY23 Executive LTI	3 years	$1.26	$1.56	-	3%	1.64%
FY23 Options Offer	5 years	$0.88	$2.66	$2.75	3%	3.62%
FY24 STI	2 years	$2.36*	$2.36*	-	-	-
FY24 Loan Plan	3.5 years	$0.66	$2.13	$2.13	-	4.19%
FY24 Executive LTI	3 years	$2.46	$2.69	-	3%	1.59%
FY24 Options Offer	5 years	$0.68	$2.27	$2.31	4%	4.53%

** Estimated fair value and security price for FY24 STI Rights as at 30 June 2024. These rights are yet to be issued.*

- **Expense recognised in the profit or loss**

The share-based payment expense incurred in the period was $1,221,832 (2023: $1,015,648).

14 Loss of control of subsidiary

On 26 November 2024 the Arch Finance Warehouse Trust (100% controlled subsidiary of the Group) Noteholder Agreement was amended resulting in changes to the rights of the primary noteholder. This change resulted in the loss of effective control by the Group of the Arch Finance Warehouse Trust (Warehouse Trust) and as a result under Accounting Standards, the Group would not be required to consolidate the results of the Warehouse Trust from the date of loss of control.

Arch Finance Pty Ltd (100% controlled subsidiary of the Group) as Trustee for Arch Finance Unit Trust (100% controlled subsidiary of the Group) continues to act as manager of the Warehouse Trust, retaining its management rights to originate loans and service the Warehouse Trust under the amended agreements. The Group also retains its residual income unit, entitling it to residual income distributions from the Warehouse Trust and will continue to hold loan notes in the Warehouse Trust.

The results of the subsidiary have been presented in the Condensed Consolidated Interim Statement of Comprehensive Income as ordinary operations up to the date of loss of control. The calculation of the gain/loss on loss of control is $0 as set out in the table below.

The Group's continuing investment in Arch Finance Warehouse Trust through the residual income unit is measured at its fair value on the date of loss of control and will be subsequently measured at fair value through profit or loss in accordance with AASB 9 Financial Instruments. The fair value on the date of loss of control was $10 represented by the net asset value attributable to residual income unit holders.

The Group also holds loan notes in Arch Finance Warehouse Trust, which are measured at amortised cost in accordance with AASB 9. Financial Instruments. The carrying value of the loan notes on the date of loss of control was $23,134,573 (net of Expected Credit Loss Provision). Note that the loan notes were previously eliminated on consolidation.

14 Loss of control of subsidiary (continued)

The profit on loss of control of the subsidiary is calculated as following:

	$
Fair value of consideration received on loss of control	-
Add: Recognized amount of distribution of shares	-
Add: Fair value of retained non-controlling interest	(23,134,583)
Less: Carrying amount of non-controlling interest in former subsidiary	-
Total	**(23,134,583)**
Less: Carrying value of former subsidiary net assets	(23,134,583)
Net impact	**-**

15 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 othercosts. 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 2024, and has not been provided for, is not expected to affect its financial position in any material way, either individually or in aggregate.

16 Events occurring after the reporting period

On 25 February 2025, the Directors declared an interim fully franked dividend of 2.50 cents per share which amounted to $7,504,350 to be paid on 28 March 2025 with a record date of 12 March 2025.

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 2024 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 2024 and of its performance for the half-year ended 31 December 2024;

(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
25 February 2025

Independent Auditor's Review Report

To the shareholders of Qualitas Limited

Conclusion

We have reviewed the accompanying ***Interim Financial 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 Financial 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 2024 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 Financial Report*** comprises:

- Condensed consolidated interim statement of financial position as at 31 December 2024
- 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 16 including selected explanatory notes
- 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 Financial Report

The Directors of the Group are responsible for:

- the preparation of the Interim Financial 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 Financial 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 Financial Report

Our responsibility is to express a conclusion on the Interim Financial 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 Financial 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 2024 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 Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

KPMG

Maria Trinci

Maria Trinci
Partner

Melbourne
25 February 2025