QUALITAS

Annual Report 2022

About Qualitas

Qualitas Limited is an ASX-listed Australian alternative real estate investment manager with approximately A$5 billion of funds under management (FUM)[1].

We match 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.

We aim to be the best at what we do, delivering performance for our clients, providing flexible capital solutions for our partners, and creating long-term value for shareholders and the communities in which we operate.

For 14 years we have been investing through market cycles with a combined gross asset value of over A$17 billion across all real estate sectors. We focus on real estate private credit, opportunistic real estate private equity, income producing commercial real estate and build-to-rent residential.

Our broad platform, complementary debt and equity investing skill set, deep industry knowledge, long-term partnerships, and diverse and inclusive team of more than 70 professionals provide a unique offering in the market as we work diligently to accelerate business growth and drive performance for shareholders.

2008
Qualitas established in Melbourne

2009
First Mezzanine debt fund

2010
First equity deal with investments in NSW, TAS and QLD
$100m FUM

2011
Sydney office established

2013
First senior deal

2014
Launch of first single asset fund
First discretionary debt fund launched
$500m FUM

2015
Launch of Opportunity Fund 1

2016
Launch of Construction fund
$1bn FUM

2017
Launch of Peer Estate
Launch of open ended Senior Debt Fund
Close of Opportunity Fund 1 raising
International mandate with foreign sovereign fund

2018
Launch of Food Infrastructure Fund
Launch of Qualitas Real Estate Income Fund (ASX:QRI)
Close of Food Infrastructure Fund
$2bn FUM

2019
Launch of Opportunity Fund 2

2020
Launch of Qualitas Build-to-Rent Impact Fund
$3bn FUM

2021
16 Dec 2021 QAL IPO
First Build-to-Rent Debt investment
Close of Opportunity Fund 2 raising
QRI fund became 4th largest LIT[2] on ASX
Launch of Build-to-Rent Equity strategy
Launch of Qualitas Diversified Real Estate Fund
Launch of Qualitas Senior Debt Enhanced Fund

All numbers in this document are as at 30 June 2022 unless otherwise noted.

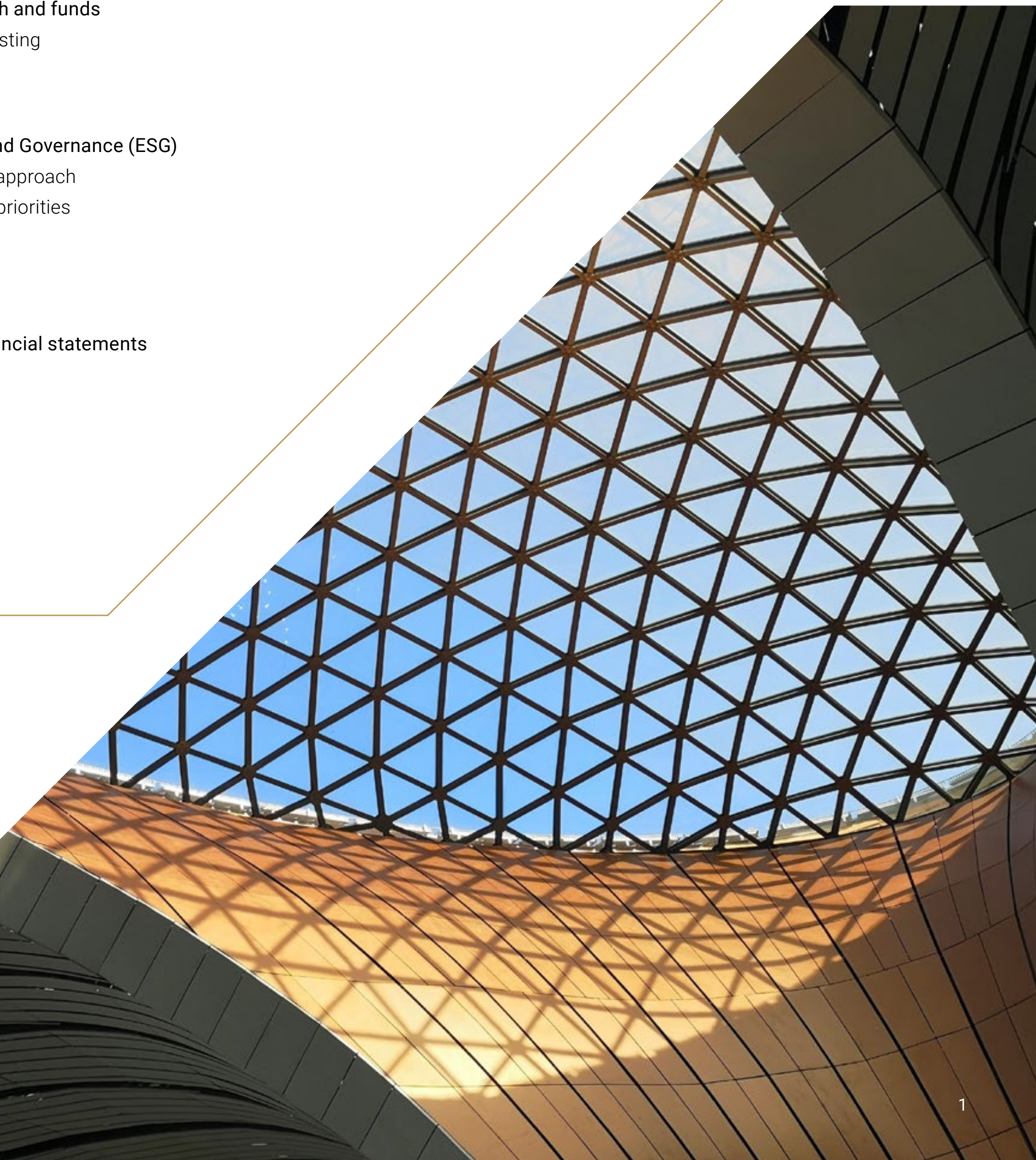
1. As at 30 September 2022.
2. Listed Investment Trust (LIT).

Acknowledgment of Country

Qualitas acknowledges the Traditional Custodians of country throughout Australia and their ongoing connection to land, sea, and community. We pay our respect to their Elders past and present.

Contents

2022
A$700 million fully discretionary mandate from a wholly owned subsidiary of Abu Dhabi Investment Authority (ADIA)



FY22 performance highlights

Qualitas' 2022 financial year (FY22) results represent our first financial results as a listed company following our successful $735 million[1] Australian Securities Exchange (ASX) listing.

The Company has delivered on its commitments, with FY22 Prospectus forecast revenue, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)[2], and other key drivers met or exceeded. The Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission to the ASX in a way that was consistent with its business objectives.

Group highlights

$36.6M
FY22 GROUP EBITDA[2]
UP 83% ON FY21 AND 20% AHEAD OF PROSPECTUS

48.1%
FY22 EBITDA MARGIN[2]
UP 12% ON FY21

4.0 cents
FIRST DIVIDEND DECLARED PER SHARE

$4.26B
FUM[3]
UP 43% ON FY21

$1.93B
FY22 FUNDS DEPLOYMENT
UP 57% ON FY21 AND 31% AHEAD OF PROSPECTUS

Notes: Growth % compared to FY21.

1. Market capitalisation on listing in December 2021.
2. Normalised EBITDA adjusted for abnormal items, QRI capital raise costs, QAL IPO costs in FY22 and mark to market adjustment from Qualitas' co-investment in QRI.
3. Represents committed capital from investors with signed mandates as at 30 June 2022 in which Qualitas provides investment management services to deploy into investments.
4. Funds Management segment only.
5. Measured over a 12 month period as of 30 June 2022.
6. Climate Active is an Australian entity that drives voluntary climate action. Climate Active certification is awarded to businesses and organisations that have reached a state called carbon neutrality, in accordance with Climate Active's parameters.

Funds Management segment highlights

THREE NEW
Credit & Equity Funds
LAUNCHED DURING FY22[4]

$51.0M
AVERAGE GROSS INVESTMENT SIZE[4,5]

~74%
FUM WITH PERFORMANCE FEES[4]

QUALITAS CERTIFIED AS A
Carbon Neutral Organisation
BY CLIMATE ACTIVE[6]

LAUNCHED COMMITMENT TO CREATE A
Reflect Reconciliation Action Plan (RAP)
IN FY23

EXTENSIVE
Global
institutional, wholesale and retail investor base

14 FUNDS
across private credit (70%) and private equity (30%) strategies

Chair's letter

On behalf of every member of the Qualitas team, I am pleased to present our first Annual Report as an ASX-listed company.

Andrew Fairley
Independent Chair

The past year represented a major milestone in Qualitas' history and its emergence as one of Australia's leading alternative real estate investment managers. The year was punctuated by our over-subscribed $335 million initial public offering (IPO) and listing on the ASX in December 2021. The success of the offer reflected both the proud track record of the business since it was founded in 2008 – having delivered compound annual growth in funds under management (FUM) of 36 per cent – and a clear belief in the ability of the Qualitas team to continue delivering outperformance in the years ahead.

At the time of the IPO, we signalled that the proceeds from the offer will be used primarily to fund co-investments to accelerate growth in FUM and to provide balance sheet capacity to underwrite, bridge and warehouse time-sensitive investment opportunities for Qualitas funds. This is exactly what we have done – and we are delighted to have exceeded the FY22 forecast included in our IPO prospectus.

One of the key features of the growth in FUM and deployment is how it has been built on the back of a balance sheet that was substantially strengthened through the IPO – in line with the objectives of the exercise. Put simply, we can now take advantage of opportunities that were previously out of our reach. We are able to better meet the co-investment requirements of global and domestic institutions and leverage our capital to underwrite and warehouse attractive seed assets for current or newly created funds.

The best example is the Abu Dhabi Investment Authority (ADIA) agreement, where Qualitas' committed to co-investing $35 million in the Qualitas Diversified Credit Investments Fund in securing the $700 million mandate, with the potential for ADIA to become a substantial shareholder in Qualitas, subject to further mandates worth up to $1 billion[1].

Governance

In line with our commitment to delivering superior returns for our shareholders and fund investors is a commitment to working towards Environmental, Social and Governance (ESG) best practice. We firmly believe that embedding ESG considerations and processes will enhance risk-adjusted returns for Qualitas' shareholders and fund investors, promote a workplace that is inclusive and values diversity and contributes to positive change for the environment. Commencing our ESG journey has been a source of pride for our people, who have contributed to the development of our Company-wide ESG Policy. It provides a platform for conscious engagement and education that we are confident will continue to evolve and develop.

The decision to pursue an IPO was an opportunity to refresh the Board of Qualitas for the next phase of its growth. I was honoured to be asked to become independent non-executive Chair alongside new independent non-executive directors Mary Ploughman and JoAnne Stephenson and existing advisory board directors Michael Schoenfeld, Brian Delaney and Group Managing Director and Co-Founder, Andrew Schwartz. I would like to pay tribute to the long-serving advisory board members who retired as part of the transition – Elana Rubin AM, Alan Schwartz AM, Carol Schwartz AO, and David Krasnostein AM. Qualitas' success in building one of Australia's leading real estate investment management businesses could not have been achieved without their support and leadership.

1. As at 1 August 2022. Qualitas has granted options to ADIA under which ADIA may acquire up to 32,630,374 new ordinary shares in Qualitas, representing up to 9.99% (on a fully diluted basis, excluding share rights under the Company's Employee Equity Plan) of current issued equity on a fully diluted basis (Maximum Equity Interest). ADIA will be eligible for the Maximum Equity Interest if it commits the further incremental investment mandates totalling A$1 billion (bringing the total commitment to A$1.7 billion) through additional Qualitas mandates.

Looking ahead

Qualitas enters the new financial year with a strong platform for further growth, as signalled through our FY23 guidance. There is no doubt, however, that we are entering a more cautious market environment.

Qualitas is proud that global institutional investors continue to recognise the ability of our richly experienced team to seek out well considered and risk mitigated real estate opportunities.

On behalf of the Board, I would like to extend my thanks to all of our talented members of the Qualitas team for their hard work and commitment through the IPO. Further, for the teams continued commitment through the disruption of COVID-19 to everyone's lives in the past year.

To our commercial partners, the discerning investors in our funds, and to our shareholders – both old and new – thank you for your continued support.

Andrew Fairley AM
Independent Chairman

"On behalf of the Board, I would like to extend my thanks to all of our talented members of the Qualitas team for their hard work and commitment through the IPO and the disruption of COVID-19 to everyone's lives in the past year."

CEO's letter

If the creation of Qualitas in 2008 marked the start of our journey, the past year marked the start of the next exciting phase of our growth.

Andrew Schwartz
Group Managing Director & Co-Founder

The springboard for that growth was our successful raising of $335 million as part of our IPO and subsequent listing on the ASX at the end of 2021, which has given us both the balance sheet and public profile to dramatically accelerate our expansion. In retrospect, the timing of the IPO could not have been better. We believe these times of tightened liquidity will suit innovative, experienced and well-resourced alternative real estate investment managers like Qualitas.

FY22 performance

Looking back on the past financial year, we were proud to have met or exceeded – in some cases significantly – the FY22 forecast in our IPO prospectus. Group EBITDA[1] of $36.6 million was up 83 per cent on FY21 and 20 per cent ahead of prospectus, while statutory net profit before tax of $23.5 million was 85 per cent ahead of FY21 and 17 per cent ahead of prospectus. We delivered a final dividend of 4c per share, as forecast, representing 3 per cent annualised yield at the IPO issue price.

Our FUM and capital deployment also both exceeded expectations for FY22, with our post-balance date mandate agreement with ADIA lifting FUM to $4.96 billion. We deployed a record $1.93 billion through our credit and equity funds in FY22 – approximately $500 million ahead of our prospectus forecasts – contributing to a 29 per cent increase in funds management fees to $35.3 million on prior year. The full benefit of the growth in deployed funds – with a surge in the final quarter of FY22 and continued strong deployment into FY23 on the back of new mandates – will be fully reflected in future reporting periods.

We ended the year with cash holdings of $309 million, providing us with a strong balance sheet at exactly the right time in the property cycle. By leveraging the deployment of these funds through co-investment, we can drive significant potential FUM growth and, importantly, increased returns for shareholders. Using the ADIA mandate as an example, assuming an average 5 per cent co-investment requirement, our current cash balance would support FUM growth of about $6 billion, driving significant base fee growth in addition to growth in transaction and performance fee streams.

Our FY22 results and the ADIA mandate demonstrate that Qualitas is delivering against the objectives outlined at the time of the IPO – using our strengthened balance sheet to grow our FUM by meeting the co-investment requirements of global and domestic institutions and by leveraging capital to underwrite and warehouse attractive seed assets for current or newly created credit and equity funds. Qualitas now manages 15 funds[2], including the ASX-listed Qualitas Real Estate Income Fund (QRI), with three new credit and equity funds launched during FY22.

Market conditions

There is no doubt that we are experiencing a shift in market conditions, brought about by a number of factors but most significantly the recent increases in interest rates and inflation. This environment favours well-capitalised alternative financiers, like Qualitas, and will benefit the expected returns of a significant proportion of our funds. While our experienced investment team has lived these cycles before, it is important that we remain disciplined in the selection of investments for our funds.

In the current environment, the Company is observing withdrawals of liquidity in the market and asset value recalibration, improving yields and an opening of opportunistic equity investment. The returns on Qualitas' credit funds have the benefit of real asset security and are anticipated to increase as rates rise, while Qualitas' equity funds have the benefit of sourcing investments with recalibrated asset values, with premiums being paid for liquidity.

1. Normalised EBITDA adjusted for abnormal items, QRI capital raising costs, Qualitas Real Estate Income Fund (QRI) mark to market adjustment and QAL IPO costs.
2. As at 1 August 2022.

"Looking back on the past financial year, we were proud to have met or exceeded – in some cases significantly – the FY22 forecast in our IPO prospectus."

We continue to access compelling investment opportunities for our funds and investors, driven not only by our reputation, extensive counterparty network and origination capabilities, but also as other participants withdraw from the market. This is a longer-term trend but as volatility increases so does the hesitancy of traditional funding sources to deploy capital. As benchmark returns and risks rise, we expect banks to continue their retreat from the CRE sector. At the same time, institutional allocations to alternative investments and private credit continue to grow.

This does not mean we are taking greater risks – at all times we maintain a disciplined approach to analysing and underwriting potential investments. In our experience, institutional investors and other wholesale investors can become slower to commit capital at this point in the cycle. Ultimately, however, reduced liquidity encourages higher investment returns and through the careful selection in our deployment of capital, our funds and Qualitas' return on balance sheet capital can benefit from current market dynamics.

Overall, Qualitas continues to ride the long-term structural tailwinds in the property sector and is well placed to benefit from the current economic cycle. We believe our expertise, track record and operating experience position us well to take advantage of the opportunities that will arise in both CRE private credit and equity.

Our people

Qualitas' success, now and in the future, is built on the back of our people. We have more than 70 staff across our offices and a senior executive team who are deeply experienced across real estate investment, structured finance and investment management experience.

As our business grows so does our need to attract and retain high performing staff. The increased profile of Qualitas and the capital stability provided by the IPO helps in attracting and retaining the best industry talent in a highly competitive employment market.

We have also published our Remuneration Policy to ensure alignment with our governance framework, including risk parameters and KPIs tested against financial and non-financial outcomes relevant to the individual employee.

On behalf of the Executive Team, I would like to thank every Qualitas employee for their hard work and commitment to the Company at a time of rapid expansion and external challenges.

Looking ahead

Our performance over the past year demonstrates the transformative nature of the IPO, which provided us the capital to accelerate our growth at a time when opportunities are continually presenting for investment managers like Qualitas. Our FY23 guidance signals our expectation of further growth in earnings per share in the coming year as we remain focused on sustainable FUM growth and leveraging our balance sheet and the benefits of scale.

Qualitas has successfully grown and developed through multiple periods of uncertainty. We have a diverse range of committed capital mandates across the risk spectrum, illustrating the flexibility and resilience of our business model through market cycles. We have a unique capability and competitive advantage to analyse real estate opportunities through both a credit and equity perspective.

The Company expects to continue to scale its platform to grow FUM, building on the increasing diversity of its institutional investors, both domestic and offshore as sophisticated global investors continue to reallocate their portfolios towards alternative investments and recognise the opportunities in CRE credit and equity in the current environment. In support of these plans, we also remain focused on delivering our priority ESG initiatives which resonate with what we do to maximise our impact.

Thank you for your ongoing support as we continue the next exciting phase of our growth.

A Schwartz

Andrew Schwartz
Group Managing Director & Co-Founder

Creating value for shareholders and investors

Our vision

To be the leading Australian alternative real estate investment manager.

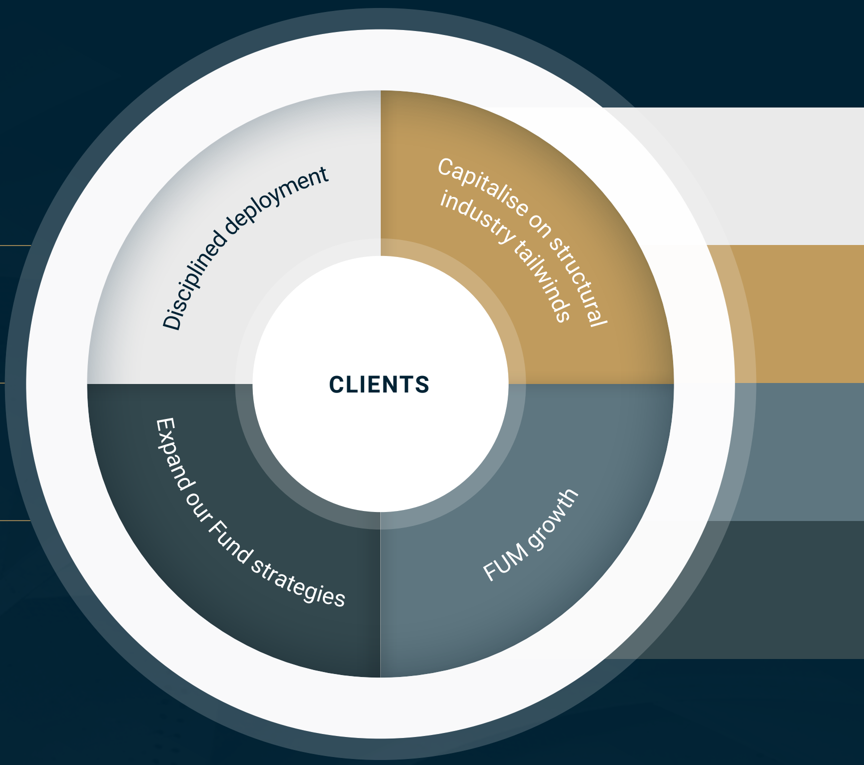
Our purpose

To provide shareholders with attractive risk-adjusted returns through a combination of regular and growing dividend income and capital growth and our clients with access to responsible and sophisticated real estate investment strategies.

Strategy

Our strategy to deliver these outcomes focuses on four key pillars:

- Capitalise on structural industry tailwinds, leveraging our core capabilities and balance sheet into investment opportunities with attractive risk-adjusted return profiles
- Focus on sustainable FUM growth by connecting global capital to responsible alternative credit and equity strategies
- Expand our Fund strategies to meet client requirements, adapting them to market conditions
- Disciplined deployment of proceeds raised from our IPO to capitalise on attractive market opportunities



Our strategic pillars are supported by:

A focus on maintaining a culture of organisational excellence, entrepreneurship, respect, integrity, and collaboration

Retaining and attracting top class talent

Incorporating ESG considerations into our operational and investment activities

Maintaining robust risk management and governance structures

Investment priorities

We have a client-led investment model, leveraging our strong sector experience across private credit and equity to increase our exposure to scalable and attractive industry megatrends and investment opportunities. These include:

CRE Credit

- Investors are seeking appropriate risk adjusted returns and regular income with access to private credit, especially in CRE
- Investor returns anticipated to increase with rising interest rates

Build-to-Rent (equity and debt)

- A fast-growing sector in Australia, addressing affordability and providing lifestyle benefits. A sector well established in offshore markets and yet to take off in a meaningful way in Australia
- Build-to-Rent Impact debt fund caters for investors incorporating ESG considerations into their investment strategy

Total Return Equity

- Investors are looking for strong total return strategies accessed via opportunistic equity investing
- Private equity style investing in real estate assets with development, value add or transitional business plans followed by an exit to generate profits

Our investment approach and funds

Our approach to investing

At Qualitas, our investment philosophy is simple: we seek value-based investment opportunities in real estate across the capital structure that deliver growth and/or security of income.

The abilities of Qualitas' experienced team of investment professionals to analyse real estate opportunities from both a debt and equity perspective gives us a strong competitive advantage. It has and continues to deliver an enviable track record of returns for our fund investors.

We adopt a market thematic-focused strategy to identify attractive investment opportunities. Illustrating this, for much of the last decade the market has been characterised by a global search for yield with inflation protection. Our credit strategy in response has focused on short-duration portfolios with sound loan-to-value metrics helped by Qualitas' strong reputation as a leading alternative real estate financier. For equity investments, our approach has focused on assets offering reliable income, with rental structures that offer inflation protection and interest rate hedging. Similarly, we have leveraged our experience through the cycle to capture opportunistic investments.

Importantly for all fund investors, our investment approach is underpinned by a strong focus on risk mitigation and management. Qualitas' robust risk management and governance frameworks incorporate both a sophisticated risk grading model and management tools that are used to assess each transaction, along with deep qualitative experience. A review by each fund's investment committee is the final important element of our governance structure.

Value creation cycle – capital light funds management model

Strategically deploying balance sheet capital to:

1. Capture market opportunities by warehousing/bridging new asset(s) subsequently used to seed new fund strategies
2. Align with investors through co-investments

Shareholder value creation

BASE FUNDS MANAGEMENT FEES

TRANSACTION FEES

Identify scalable investment thematic

- Strong underlying fundamentals and returns
- Sector supported by investor demand
- Experience/track record to deliver on strategy

Secure/commit to opportunities

- Make financial commitments to acquire asset(s)/loan(s) investments
- Earn return from underlying investment whilst held on balance sheet

New asset(s) used to seed/expand funds

- Fund raising can be accelerated given seed asset(s) in place
- Demonstrate 'skin in the game' and track record to capture opportunities

Qualitas key risk management tools

Robust risk grading model
Average LTV of c. 65%[1] in income credit strategies, fully secured loans typically supported by personal guarantees from sponsors

Mostly short tenor
Flexibility for active loan management and potential for repricing and timely security revaluation

Strong focus on sponsor criteria
Formal client onboarding policy and direct borrower and partner relationship

Diversification
By geography, types of loans and sectors within the CRE market

1. Loan-to-value ratio as at 30 June 2022.

Transaction screening process

- All originated opportunities
- Initial evaluation
- Heads up paper to investment Committee (IC)
- Detailed due diligence, including ESG assessment
- Formal IC
- Bid/Offer
- **Close**

PERFORMANCE FEES

REVENUE FROM CO-INVESTMENTS

Raise external capital to support new funds

- Sell-down seed asset(s) into fund
- Retain approx. 5%-10% of co-investment
- Earn transaction, warehousing and/or bridging fees
- Ongoing base management fees and potential performance fees
- Distributions/capital growth

Add additional assets to fund strategy

- Exploit newly created/ expanded fund to secure further investments
- Attract additional investors and expand fund size
- Drive FUM growth

Repeat

- Identify new thematic/assets
- Leverage new track record/ relationships
- Use recycled capital to seed new funds

EXECUTIVE INTERVIEW

Mark Fischer, Global Head of Real Estate and Co-Founder

What is your team's philosophy to investing in real estate?

Experience tells us that the best investment results come from following a consistent approach when identifying real estate investment opportunities for a funds management platform of the scale of Qualitas.

We continually seek certain key characteristics in the ideas and investments we consider. First of these is the question we ask on everything we look at – is it anchored by real estate that has strong end-user demand? The industry can often get caught up in the weight of capital argument about a certain sector, but our focus is always on the end occupier.

Second, the ability to deploy sizeable amounts of capital into a thematic/opportunity with a runway of many years. While scalability is important to Qualitas, we have also found that there's an alignment between scalability and the existence of a great investment theme. Typically, where there are strong underlying fundamentals, such as demographic drivers and suitable regulatory conditions, there are also large-scale deployment opportunities.

Together with this, we weigh up the relative value of the opportunity compared to other real asset opportunities, which is a unique characteristic of our platform. If we identify a great underlying thematic or sector, we can then access this via either our credit or equity platform depending on where the best relative value is.

It is a philosophy that has served Qualitas well, as the Company has moved from its beginnings in 2008 as a small, private company in Melbourne to its position today as a publicly listed entity, considered one of Australia's pre-eminent alternative real estate investment managers.

What do you look for when deploying capital, and how does this differ between credit and equity?

In deciding how capital is deployed, Qualitas differentiates between debt and equity investing based on the relative opportunity and liquidity in markets, and dependent on the impact of cyclical factors.

Where we see a higher relative premium by investing in the credit on a particular opportunity then we will skew towards that.

Where the relative premium is better in equity, we will pursue those opportunities.

Overall, there are times in the various cycles, which can be at different points depending on sector and geography, where we prefer downside protection (credit investing) and other times where we prefer the ability to earn upside and outsized returns (equity investing).

This is, of course, a dynamic process that can change rapidly and is liable to change in different sectors and geographies at different times. Qualitas' agility, experience and ability to pivot as needed is what gives investors' confidence and contributes to the company's successful performance.

The unique ability of the Qualitas platform to provide scalable advantage in the alternative real estate space, combined with the deep understanding and rich experience of the Qualitas team, is what allows the Company to best capture future opportunities.

What opportunities do you find most interesting in Australian commercial real estate currently, and which sectors are the most compelling?

Looking ahead, we believe that while there are clear long-term drivers in the industrial sector its equity is fully priced and we are now seeing interesting private credit opportunities emerging, it is the Australian residential sector, incorporating both build-to-sell and build-to-rent, that has the best opportunities with regard to relative pricing and returns available.

The significant disconnect in residential in Australia between limited supply, and constraints on future supply, compared to core underlying demand drivers is profound.

Importantly it is also a sector where we see the current inflationary and rate-rising environment leading to a period of dislocation and volatility which provides the opportunity for investors such as the QAL funds to earn outsized returns.

How is Qualitas uniquely positioned to capture these opportunities?

The unique ability of the Qualitas platform to provide scalable advantage in the alternative real estate space, combined with the deep understanding and rich experience of the Qualitas team, is what allows the Company to best capture future opportunities.

Our investment team has been operating in these markets for an extended period. We have seen various cycles and our proven ability to react and adapt to a fluid and dynamic market environment is playing out every day. Our capability and insight as a real estate equity investor serves our credit business well and vice versa.

Our ability to seek out the best way to continue to deliver value for our funds and investors in a real-time way is what has served us well historically and will set us apart as we manage it going forward in the new environment.

Real Estate Private Credit Funds

Real estate private credit relates to non-tradable loans provided by funds and other institutions other than ADIs which raise capital from third party investors and lend to commercial real estate developers and investors and is secured by real property.

Commercial real estate lending in Australia has historically been dominated by ADIs. While they currently control approximately 90 per cent of the market, their share has been diminishing over the past decade as alternative financiers, like Qualitas, have entered the market and steadily grown the level of funding they provide.

Our credit funds focus on providing alternative financing to reputable commercial real estate owners and developers operating across a range of commercial real estate sub-sectors.

Our fund platform

During FY22, Qualitas successfully grew Funds Under Management (FUM) by 43 per cent to $4.26 billion. This represents a compound average growth rate of 36 per cent since the Company's inception in 2008.

Qualitas now manages 15[1] funds plus non-fund mandates, spanning both credit and equity strategies.

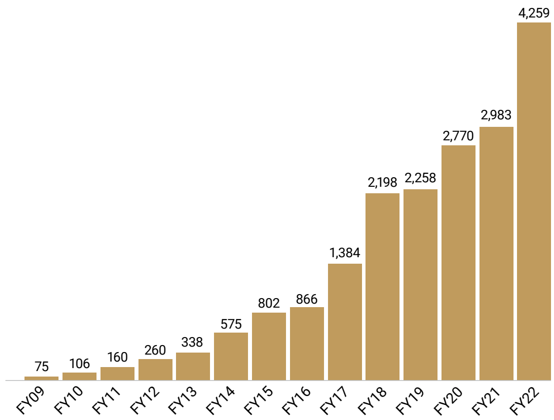
Our average deal size has increased to $51 million, up 27 per cent on FY21. However, we have the capability, and now the financial strength following our IPO, to underwrite transactions of much greater quantum.

We envisage future growth in FUM will be driven by our:

- Credit funds being able to independently provide financing over $100 million. This size transaction provides Qualitas with a competitive edge, greater flexibility for the borrower, and sets us apart from Authorised Deposit-taking Institutions (ADIs) that may need to syndicate larger loans; and
- Ability to undertake larger equity-based investments, and in doing so, widen the potential investment opportunities and benefits to investors.

Qualitas also invests in its funds alongside its third-party wholesale and retail investors, which drives a greater alignment of interests, and these co-investments generate distributions and/or capital growth for the Company.

Qualitas funds under management ($m)



Fund name	Strategy	Investment type	FUM[2]	Structure	Expiry[3]
Credit Funds					
QRI (ASX-listed)	Income	Senior debt/mezzanine	$600m	ASX-listed	Perpetual
QSDF		Senior debt — diverse	$639m	Open ended	Perpetual
Senior Debt SMA		Senior debt — diverse	$200m	Open ended	Perpetual
Arch Finance		Senior debt — investment	$443m	n/a (non-fund mandate)	Perpetual
QCDF II	Total Return	Senior debt — construction	$756m	Closed ended	4.5 years
QBIF		Senior debt — investment/construction	$125m	Closed ended	10.0 years
Other credit	Total Return/Income	Various mandates[4]	$206m	Mandate dependent	Varied
Total/weighted avg.			**$2,969m**	**—**	**5.3 years**
Equity Funds					
Opportunity I	Total Return	Equity opportunistic	$152m	Closed ended	0.5 years
Opportunity II		Equity opportunistic[5]	$286m	Closed ended	5.5 years
BTR Equity		Equity core	$270m[6]	Open ended[7]	6.5 years
QFIF	Income	Equity core	$205m	Closed ended	3.0 years
QDREF		Equity core/long WALE retail	$180m	Closed ended	6.75 years
Other equity	Total Return/Income[8]	Equity core/opportunistic	$196m	Closed ended	4.1 years
Total/weighted avg.			**$1,290m**		**4.6 years**
Total/weighted avg.			**$4,259m**		**4.8 years[9]**
Other					
QCDF I (rolling-off mandate)[10]		Senior debt – construction	$504m	Closed ended	0.5 years
QDCI (new ADIA mandate)		Senior debt/mezzanine – diverse	$735m	Closed ended	7.0 years

1. Including ADIA mandate as at 1 August 2022.
2. Represents committed capital from investors with signed mandates as at 30 June 2022 in which Qualitas provides investment.
3. Expiry refers to the fund term dates defined by the fund documentation, which may be amended from time to time.
4. Includes Qualitas Mezzanine Debt Fund, private SMA, Peer Estate and Direct Real Estate accounts.
5. Includes co-investments on certain assets.
6. Fund size is $1.2 billion on a gross basis inclusive of asset recourse debt. Based on this Fund's target leverage, $540 million of total Fund equity is assumed. Management platform for this Fund is a 50/50 joint venture between Qualitas and a development and operating partner, and as such 50% recognition of FUM has been assumed.
7. Open ended subject to liquidity windows.
8. Includes equity funds with a focus on Australian retirement villages, US BTR/multifamily, US office and Australian convenience retail sector.
9. Weighted average excluding non-fund mandates and open ended/listed funds with no expiry dates.
10. Investor increased further commitment in construction debt strategy as QCDF I matures in ~6 months.

CASE STUDY

Construction Debt – Glenarm Square, Glen Iris, Victoria

Qualitas prides itself on being one of the larger construction lenders in Australia outside of the major trading banks.

The total Commercial Real Estate (CRE) debt market has more than doubled in size over the past 10 years, growing to $450 billion (10-year CAGR 6 per cent)[1]. While the banks maintain a sizable market share, their retreat from real estate lending has accelerated over the last five years. Construction financing, particularly for residential apartments, has been profoundly impacted by this retreat. For alternative financiers, the change in approach by the banks, in addition to other factors, including sound market fundamentals supported by demographic shifts, has opened opportunities.

Qualitas has been successfully meeting the demand for flexible financing since it was founded. We now hold a strong market position in the sector, driven by our long track record, expertise, and positioning as a lender of choice for our development partners that collectively provide access to a deep deal pipeline.

Residential construction projects involve four stages, as illustrated.

Qualitas offers debt financing across the entire property lifecycle with the Qualitas Construction Debt Fund (QCDF) providing predominately senior debt construction loans.

Senior debt construction financing is specifically provided for the third stage of real estate development projects to fund the development and construction costs and is exited through settlement of residential pre-sales (sourced in the second stage above) or via a residual stock finance facility commonly funded within our other Senior Credit Funds.

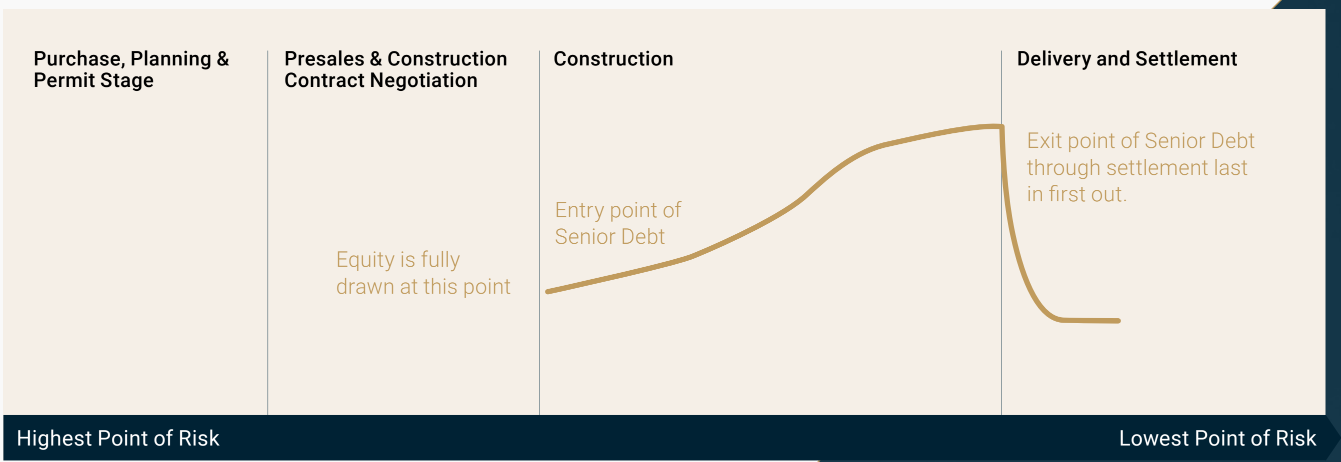
In December 2021, QCDF approved senior debt funding for the construction of the project known as Glenarm Square, located in the inner-eastern Melbourne suburb of Glen Iris.

Glenarm Square comprises 118 residential apartments, 562 square metres of retail and 300 square metres of commercial. The project was undertaken in a joint venture (JV) between a state government agency and a sponsor well known to Qualitas from three previous transactions that were successfully exited.

The Land was placed to the private sector by the state government by way of a proposed JV due to land created as a result of the Level Crossing Removal program. The involvement of Crown Land (state owned) restricted the right of any financier to register security over the land during delivery of the project, rather only hold security over the right to develop the land in accordance with the JV agreement.

The restriction over the security was a hurdle for a number of other potential. Therefore, providing the opportunity for Qualitas to exclusively work with a proven sponsor and sovereign land owner to structure the transaction, resulting in securing the necessary contractual commitment between all parties akin to mortgage like security. This "quirk" to the transaction allowed Qualitas the opportunity to generate out performance returns to market in exchange for known and accepted risk allocation.

In summary, the expertise of our people and flexibility of our QCDF capital was key to securing this transaction and successfully delivering this project.



1. CRE debt market size is derived based on ADIs commercial property exposure released by APRA as at March 2022 and non-ADI market share released by RBA Financial Stability Review as at April 2022.

CASE STUDY

Private Credit – West End, West Melbourne, Victoria

Our flagship open-ended $639 million Qualitas Senior Debt Fund (QSDF) was launched in 2017. It focuses on lending to reputable commercial real estate owners, investors and developers across the residential, commercial office, retail, industrial and select specialised sectors.

Qualitas has an established track record in alternative commercial real estate credit and equity investing which is enhanced by an experienced internal transaction risk management team, adding to our ability to deliver strong risk-adjusted returns to fund investors.

For investors, senior debt investments benefit from a lower risk profile compared to mezzanine debt and equity investments with a commensurate risk adjusted return.

Senior debt lending is a core expertise for Qualitas. Demonstrating our expertise in senior debt investing, in early 2021 Qualitas provided a senior debt facility to a mixed-use development in West Melbourne in conjunction with our ASX-listed Qualitas Real Estate Income Fund (ASX:QRI).

The opportunity was secured by leveraging Qualitas' reputation and strong relationships with key sponsor personnel, in addition to also being a borrower in another fund, so an existing client.

The facility involved a residual stock loan secured against apartments, and an investment loan secured against retail four-star hotel and commercial lots.

The development consortium comprises three highly experienced and well-recognised property investor groups (Melbourne based) with strong financial backing and a history of successful project delivery. Enhancing the overall risk profile of the investment is a conservative LVR, with the facility limit sized to a 65 per cent LVR based on a refreshed 'as is' valuation.

The investment is expected to provide solid returns to investors, with a forecast Internal Rate of Return (IRR) of over 7.5 per cent over the next two years.

Why borrowers use alternative financiers

The growing market share of alternative financiers, such as Qualitas, indicates the rising demand and use by borrowers. For borrowers that choose this funding source rather than bank funding, there are significant benefits: speed and certainty of capital and decision making; flexibility; specialist financing and industry experience.

Speed and certainty of capital are particularly important for short-duration developments where a delay in financing can have a material impact on project returns via the build-up of holding costs. Qualitas can offer flexibility across several different metrics for an appropriate risk-reward, by structuring the loan to meet borrower objectives. This can include higher LVRs or longer loan term.

Alternative financiers are also filling gaps in lending as the banks retreat from sectors such as commercial real estate and are driving innovative new solutions where new growth opportunities exist such as built-to-rent debt to address housing affordability challenges.

Real Estate Private Equity Funds

In addition to private credit funds, Qualitas manages funds that make equity investments in underlying real estate assets.

These funds focus principally on two investment strategies being, income producing assets through our core equity funds, and total return assets through our opportunistic equity funds.

Our core equity funds focus on assets generating defensive and resilient cash flows, such as build-to-rent, food logistics and manufacturing, non-discretionary consumer staples, logistics and convenience retail assets. These types of real estate assets benefit from defensive income characteristics, including attractive rental escalations and resilient cash flows, to provide attractive risk-adjusted returns for fund Investors.

Our opportunistic equity funds focus on situational and opportunistic real estate investing, including development joint ventures, recapitalisations and structured preferred equity investments, to deliver attractive risk-adjusted total returns.

Total capital deployed since foundation in 2008 as at 30 June 2022

	No. of investments	Total capital deployed[1]
Total investments	**239**	**$6.4 billion**
Debt investments	196	$5.1 billion
Equity investments	43	$1.3 billion

1. Cumulative capital invested exceeds total FUM due to recycling of funds relating to capital returned to investors from realised investments in closed end funds.

CASE STUDY

Equity Investment – Runaway Bay

During the past year, the Qualitas Diversified Real Estate Fund (QDREF) acquired a 100 per cent stake in the Runaway Bay Shopping Centre on the Gold Coast.

This strongly performing subregional centre in southeast Queensland is in one of Australia's most significant growth corridors. It benefits from a diverse tenancy mix of national supermarket anchors, discount department stores and a range of speciality stores and offers the potential for future value-add mixed-use development opportunities utilising more of the 124,700 square metre site.

The investment fits well with Qualitas' retail strategy that focuses on convenience-based centres located in strong growth catchments that are leveraged to positive demographic trends and surrounded by residential amenity and infrastructure. Additionally, the strategy seeks assets that offer the potential for growth in both income and capital value.

The acquisition was undertaken in two transactions. In December 2021, Qualitas acquired 50 per cent of the Centre. The second 50 per cent stake was acquired in May 2022. The investment is held predominately by QDREF.

Asset warehousing and fund underwriting

Our IPO provided the balance sheet strength and capital to enable the Company to undertake investment opportunities for its funds in certain circumstances, such as when a fund requires additional capital in order to undertake the investment.

Utilising our balance sheet may also occur as part of the process of launching new funds or new non-fund mandates. Such transactions may take various forms, including underwriting a new fund or warehousing investments pending the fund securing the required capital.

Arch Finance

Acquired in 2009, Arch Finance is a wholly owned entity of Qualitas.

Arch Finance is a non-bank commercial real estate mortgage originator and lender for loans up to $6 million, providing first mortgage loans secured against predominantly established income-producing or owner-occupied commercial real estate.

Through the Arch Finance business, Qualitas has exposure to a large and expanding market capitalising on banks reducing their appetite for commercial real estate-backed mortgages. Arch Finance operates on a standalone basis with separate management, staff and premises.

EXECUTIVE INTERVIEW

Dean Winterton, Global Head of Capital

Where do your investors come from and why do they choose to invest in the Qualitas funds?

With years of experience in financial markets, our team has a deep understanding of what makes the Australian commercial real estate market attractive to investors – and why they are attracted to Qualitas.

Qualitas has a diverse investor base, including institutional, wholesale and retail clients who are located domestically and internationally.

The institutional investor group includes sovereign wealth funds, pension and superannuation funds, private banks, insurance companies, endowments, fund of funds, and other investment firms.

For these investors, Australia is seen as a very vibrant, transparent and sophisticated market with an established legal framework that supports investment and provides investors with security and confidence.

What is attractive about the Australian commercial real estate sector for foreign investors?

For many, exposure to the Asia Pacific region, which includes Australia, is attractive, for portfolio diversification and strong risk-adjusted returns.

The complementary strength and sophistication of Australia's listed real estate market (REITs), provides further endorsement of the property market in general.

Has Qualitas' approach to establishing new funds changed over time? What is the current strategy?

I believe investors are attracted to Qualitas because of the Company's strong and sustainable business model and client led approach.

Clients value our deep experience and staff talent, and our ability to find, assess, price and manage deep value opportunities in our chosen markets. Investors are the centre of our business and we have learnt over many years that their trust in us to manage their money in a responsible manner is where it starts and ends.

There are no compromises here. We think we do this well and are being recognised for this as our business grows.

FY22 in review

Qualitas' 2022 financial year (FY22) results represent its first financial results as a listed company following its successful $335 million Initial Public Offering (IPO) and Australian Securities Exchange (ASX) listing.

Group performance

The Company delivered on its commitments, outperforming prospectus forecasts and achieving strong growth across a number of key variables.

Qualitas achieved total revenue of $74.5 million in FY22, up 33 per cent on FY21, driven by strong FUM growth and the recognition of performance fees. Our strong revenue growth also reflects the continued support we enjoy from our investors, itself a reflection of our track record of delivering attractive returns.

Group Normalised EBITDA[1] increased 83 per cent on FY21, driven by a combination of revenue growth through FUM deployment growth and fund outperformance in relation to performance fees. Group Normalised EBITDA margin[1] was 48 per cent, an increase of 12 per cent on FY21.

Funds management EBITDA doubled to $32.7 million for an operating EBITDA margin of 48.8 per cent, compared to 35.1 per cent in FY21. This demonstrates the increasing scale and operating leverage of the business as FUM continues to grow.

Arch Finance EBITDA was $3.9 million, representing approximately 10.6 per cent of Group EBITDA. This business segment maintains a strong credit quality profile, with the underlying net interest margin and expense drivers in line with expectations for the period.

Pro forma net profit before tax (NPBT) rose 73 per cent to $26.3 million, up 15 per cent on prospectus forecast and consistent with updated guidance in May 2022. Statutory NPBT was in line with the revised guidance at $23.5 million.

Statutory net profit after tax was $18.9 million, up 56 per cent on FY21 and above the prospectus forecast of $14.0 million.

Qualitas declared a final dividend of 4 cents per share, in line with prospectus forecasts. This represents a payout ratio of 62 per cent of full year earnings and an annualised dividend yield of 3 per cent on the IPO issue price.

Fund management fees

The record increase in the deployment of funds, particularly in the final quarter of FY22, contributed to a 29 per cent increase in funds management fees to $35.3 million, 5 per cent ahead of prospectus forecasts. The full benefit of the growth in deployed FUM in the final quarter – and continued strong deployments into FY23 on the back of new mandates – will be reflected in future reporting periods.

Funds management employee costs increased 26 per cent to $21 million, a result of strong business growth and a focus on retention of key staff in a competitive market for talent. Funds management employee costs, as a percentage of average Invested FUM, decreased from 1.7 per cent to 1.5 per cent.

The net segment contribution of funds management was $14 million, which represents significant growth of 35 per cent on FY21.

Performance fee revenues increased 53 per cent in FY22 to $27.5 million. After deduction of performance fee incentives, net performance fee revenue, increased 93 per cent to $19.4 million, reflecting continued outperformance in selected funds. Following the finalisation of the ADIA mandate in August 2022, 74 per cent of total FUM now includes a performance fee element, subject to achieving the relevant hurdles.

$26.3 million
Pro forma NPBT in FY22, up 73 per cent on FY21

$18.9 million
Statutory net profit after tax in FY22, up 56 per cent on FY21

$35.3 million
Funds management fees in FY22, up 29 per cent on FY21

$1.93 billion
Capital deployed in FY22, up 57 per cent on FY21

Operational performance

Over the year, Qualitas continued to successfully execute its strategic objectives, deploying investor funds, growing investor FUM, expanding fund strategies and utilising IPO proceeds to drive growth.

Capital deployed in FY22 totalled $1.93 billion, compared to $1.23 billion in FY21, equating to a Compound Average Growth Rate (CAGR) since the inception of Qualitas in 2008 of 48 per cent. Deployment was up 31 per cent on the Company's prospectus forecasts and up 14 per cent on the revised guidance. The bulk of deployment activities was in the private credit area, including construction. The remainder, approximately 11 per cent, was in the Build-To-Rent (BTR) sector, where there is a positive outlook.

Group FUM rose from $2.98 billion at 30 June 2021 to $4.26 billion at 30 June 2022, representing 43 per cent growth in FY22 and a CAGR of 36 per cent since inception. The mandate secured from a wholly owned subsidiary of ADIA to invest A$700 million on behalf of a new fully discretionary investment vehicle, lifted FUM to $4.96 billion at 18 August 2022, and the CAGR since inception to 38 per cent.

The Company continued to expand its fund strategies to adapt to changing debt and equity market conditions. We now manage 14 funds across 4 strategies, including the ASX-listed QRI, with three new debt and equity funds launched during FY22. The new funds, with targeted total commitments of $1.1 billion, were: Qualitas Diversified Real Estate Fund ($500 million), Qualitas Real Estate Opportunity Fund 3 ($300 million) and Qualitas Senior Debt Enhanced Fund ($300 million). The ADIA agreement resulted in the launch of the Company's 15th fund – the A$700 million Qualitas Diversified Credit Investments (QDCI), which has a wide investment scope with a focus on the CRE private credit market and senior credit strategies.

1. Normalised EBITDA adjusted for abnormal items, QRI capital raise costs, QAL IPO costs in FY22 and mark to market adjustment from Qualitas' co-investment in QRI.

With the ADIA mandate, Qualitas' proportion of total FUM invested on behalf of local and international institutional investors increased to approximately 73 per cent, with the balance being retail and high net worth investors.

Equally, Qualitas' ability to deploy the capital raised through the IPO to underwrite, bridge and warehouse time-sensitive investment opportunities, and to leverage the stronger balance sheet to co-invest alongside institutional investors, is driving future FUM growth. Qualitas' commitment to co-invest $35 million in QDCI was reflective of this and an important factor in the ADIA agreement.

EXECUTIVE INTERVIEW

Philip Dowman, Chief Financial Officer

How do you view the Company's capital position and what benefits does it provide?

As the executive responsible for overseeing the Company's day-to-day financial performance, I believe Qualitas' strong balance sheet in a time of rising interest rates, will help support stronger EPS growth from earnings on our principal investments.

The Company's capital position is very strong, providing Qualitas with the flexibility to selectively grow our FUM. We can do this in two ways, either through the ability to co-invest alongside our larger institutional investors or to bring certainty to new asset transactions through an ability to underwrite deal flow ahead of formally raising capital from investors.

How is the firm handling technology changes/trends?

Looking ahead, Qualitas' continued investment in new technologies to support critical data management as well as the ability to provide an enterprise-wide view of our investments across funds and strategies is a key area of focus. So too is cyber security, ensuring the Company is adopting best practice tools and processes.

How do you see the margins of the Company evolve as the business expands?

I have confidence in the growth outlook for the Company. Funds management businesses are inherently scalable, with many supporting functions in place regardless of funds under management. The lower cost to service new funds under management should underpin growth in our operating margin.

EXECUTIVE INTERVIEW

Kathleen Yeung, Global Head of Corporate Development

What do you think differentiates Qualitas to your listed peers?

Qualitas is differentiated from its listed peers by a combination of experience, skills, insights, trust – and its long-established credit funds platform.

As a leading alternative financier/investment manager, Qualitas has an established credit investment platform with a strong track record. This has been built on credibility and trust, and it is not easy to replicate in a short period of time.

We have networks, developed over decades, and staff that have worked through market cycles, including the 1991 recession, who are working with repeat clients. This, combined with our equity investment skills, provides a unique lens for our lending as we intimately understand the perspective of our sponsors so that we can partner and provide a financing package that works for all. Their success is our success.

How has the business changed since the IPO and what benefits has the IPO brought to the firm?

I see many benefits from our listing. It has enabled Qualitas to accelerate its expansion and capitalise on market and sector tailwinds. This in turn has provided the balance sheet capital to underwrite, and seed new funds, and to provide co-investment capital that is critical for fund investor alignment.

Our recent ADIA mandate is a great example of being able to provide $35 million in co-investment alongside ADIA. We could not have done this level of co-investment pre-IPO.

Of particular benefit post-IPO, has been the increase in profile.

In the past year, our inbound enquiries have noticeably increased, and our deployment and capital pipelines have strengthened. Benefits are also seen with our ability to attract and retain talent.

We're also engaged in new discussions with domestic and global institutions for significant potential fund mandates.

Why is ESG important for Qualitas and what initiatives are you most focused on?

As Chair of the Company's ESG Steering Committee, I'm a strong advocate for ESG and its value to the Company's operations and performance.

We have a longstanding commitment to ESG, and firmly believe it adds value to our investors, employees and the community. As a property investor, we are focused on selected initiatives where we can make a real impact, with a current focus on the E and S in ESG.

Qualitas is continuing to develop its ESG assessment tools to ensure that ESG principles are tailored to the Company's investment strategies and processes, both in terms of investment projects and partnerships. Qualitas' Reconciliation Action Plan (RAP), starting at the Reflect stage, which has been submitted to Reconciliation Australia for review.

We are deeply committed to ensuring our RAP is meaningful and aligned with our expertise.

Environmental, Social and Governance

Developing our ESG approach

At Qualitas, we are committed to the integration and management of appropriate Environmental, Social and Governance (ESG) measures throughout the organisation, and in our funds and investment processes.

We believe embedding ESG considerations and processes can be beneficial in many ways: enhancing the risk-adjusted returns for Qualitas' shareholders and investors in our funds, promoting a workplace that is inclusive and values diversity, contributing to positive change for the environment and above all, endeavouring to deliver on the broad expectations from all stakeholder groups that ESG can be addressed long term.

Commencing our ESG journey has been a source of pride for our people. It is providing a platform for conscious engagement and education that will evolve and develop into the future.

We believe that embedding ESG considerations into the way we work can lead to a variety of beneficial outcomes over the long term, including:

- Enhancing our risk adjusted returns,
- Promoting an inclusive work environment that values diversity,
- Contributing towards positive environmental outcomes; and
- Addressing the broad expectations of our stakeholders.

Our ESG beliefs and priorities

Qualitas is focused on moving to the next phase in our ESG journey through identifying our real impact from our initiatives. Notwithstanding our developing status, we are moving forward in a measured way, with active participation from Qualitas staff.

Over the past 12 months, we have articulated our beliefs, framework and commitments through our ESG Policy, set 12 and 24-month calendar year targets for both our corporate and investment businesses and commenced numerous initiatives, including a Respect Reconciliation Action Plan (RAP) and the establishment of an ESG Advisory Group to help guide our strategy and to oversee our priorities and goals.

As a signatory to the United Nations supported Principles for Responsible Investment (PRI), Qualitas is committed to implementing its six principles.

Over the past year, Qualitas has focused on ESG priorities that we consider important in laying the foundation for increasing our ESG initiatives in the future.

Further to these core principles, Qualitas has defined its own priority areas, specifically:

Long-Term Temperature Goal

Qualitas strongly endorses strengthening the global response to climate change and is committed to reducing emissions as a business to align with these goals.

Adaptation

Qualitas acknowledges the importance of adaptation to a low-carbon future. We will seek to increase the level of impact-style investments in both our traditional and ESG-linked funds.

Diversity and inclusion

Qualitas is better equipped to face complex business challenges by harnessing a diverse team's unique talents and experiences.

Governance

Qualitas believes that strong governance translates into long-term investor value and is of the view that good governance will tend to be rewarded.

Climate change is a material risk that needs to be mitigated

To deliver desired investment outcomes, and to protect the value of the real assets that are invested in or lent to, efforts to mitigate and prevent climate change are needed. In this regard, Qualitas believes it has a role to play in supporting and encouraging borrowers to invest in real assets with a strong sustainability focus and equally, as an equity investor or joint venture partner, Qualitas can seek more influence concerning sustainability outcomes.

Environmental

Our focus on the environment, and our immediate priorities in this area, were driven by Qualitas' recognition that one of the issue of rising global carbon emissions and their impact on global warming poses one of the greatest risks to investment markets and the well-being of communities globally.

Accordingly, we set our immediate environmental priorities on addressing the risks of climate change. By the end of calendar year 2022, our aims were two-fold: for the business to achieve carbon neutrality at the corporate level, and to initiate the integration of environmental sustainability benchmarks and criteria into our portfolio investment activities and decision-making.

In June 2022, Qualitas announced that it had been certified by Climate Active[1] as a carbon-neutral organisation. We were able to reach this goal six months ahead of schedule by getting the work needed to be done underway early and changing our consumption behaviour, including office supplies (e.g. purchasing green power), purchasing offsets when flying, and recycling of waste. We purchased carbon offsets supporting a forestry project in Queensland that invests in Indigenous fire abatement initiatives. These projects were chosen because of their ability to sequester, or capture and store, carbon, as well as their benefits to the local Indigenous communities, through reinvigorating cultural traditions, providing employment opportunities and supporting biodiversity.

Qualitas is continuing to analyse and mitigate our emissions impact. We understand that by changing our behaviours around energy consumption, travel choice and waste management, we can continue to have a measurable impact in the years to come.

ESG is an integral part of our investment due diligence process.

Since mid-2020, all potential investments (both debt and equity) have been evaluated using Qualitas' proprietary ESG assessment tool. This tool, based on extensive research of global benchmarks, allows Qualitas to explore and document ESG leadership, and the key areas of ESG performance of the counterparties we deal with.

We are continuing to progress the integration of environmental benchmarks into our investment process. This includes actively developing an enhancement to our current ESG risk assessment criteria to further integrate climate risk at both the investment and portfolio level, which will enable us to measure our progress and outcomes against sustainability benchmarks.

1. Climate Active is an Australian entity that drives voluntary climate action. Climate Active certification is awarded to businesses and organisations that have reached a state called carbon neutrality, in accordance with Climate Active's parameters.

CASE STUDY

Leading efforts in sustainably built housing

Qualitas launched Australia's first Build-to-Rent Impact Fund (QBIF) and dedicated build-to-rent (BTR) debt platform, to finance the construction and management of energy efficient, low emissions BTR residential buildings.

Reflecting both the growing demand for the BTR asset class and Qualitas' commitment to supporting Australia's transition to a low carbon economy, these initiatives will accelerate investment in leaner, greener housing solutions and specifically link sustainability to investment criteria.

To qualify for QBIF finance, housing projects must meet sustainability standards which require at least 35% savings in operational carbon emissions relative to the minimum requirements of the 2016 National Construction Code. These sustainability standards include, amongst others things, an average minimum NATHERS rating of 7 stars and a minimum NABERS rating of 5 stars.

The BTR market has strong tailwinds. Supply is accelerating, with entry from traditional build-to-sell developers, currently estimated to represent 30 per cent of schemes coming to market.[1] More than 18,500 BTR apartments are forecast for completion by 2024.[2] This growth is consistent with the international market, and notably in the US, where BTR represents 11 per cent of the total housing market.[3]

From an investor perspective, the BTR asset class through QBIF's secured debt investments, provides structural protection combined with low volatility, stable inflation-linked income and low correlation to other asset classes.

For tenants, BTR (or multi-family) housing can provide long-term lease security enhanced by extensive lifestyle facilities, in a socially connected vertical village.

QBIF has recently made its first investment, providing a $119.4 million debt facility for the development of Arklife's BTR Cordelia project in South Brisbane.

Located in one of Queensland's most successful urban renewal precincts, Cordelia is a 5-star Green Star building, designed to set a new benchmark for sustainable living. The 30-storey building incorporates 265 BTR apartments, plus retail and office components.

The project fulfils QBIF's minimum sustainability standards, including a 7-star average NatHERS rating, a 5-star NABERS for Apartments Energy ratings, GEMS/MEPS criteria for appliances, highly energy efficient HVAC plant, lifts, lighting, energy kill switches on all apartments and a 164W renewable energy system.

Overall, the project is targeting greenhouse gas emission savings in excess of 35 per cent over the 2016 National Construction Code.

The collaborative project is an example of Qualitas' commitment to ESG design and built form, and the positive impact we believe setting minimum sustainability standards will have in supporting Australia's transition to a low carbon future.

1. Qualitas.
2. Qualitas and Urbis.
3. EY, Australian Bureau of Statistics and Savills.

Our environmental aspirations

Business Area	12 Month Targets	24 Month Targets
Corporate	**Carbon Neutrality** Qualitas aspires to become certified as carbon neutral at the corporate level by Climate Active by the end of calendar year 2022. ✔ ACHIEVED 6 MONTHS AHEAD OF TARGET	**Group Reporting Standards** To develop internal reporting competencies and information systems to comply with the reporting commitments of the United Nations' Principles for Responsible Investment (PRI), including under the Task Force on Climate-related Financial Disclosures (TCFD).
Investment & Risk	**Environmental Sustainability Integration** To include sustainability benchmarks and criteria in all current and future investment activities, which are to be measured and managed at a portfolio level. **External Collaboration** To expedite the integration of ESG benchmarks and criteria into investment activities and build ESG capabilities, Qualitas will seek the support of an independent ESG expert such as GRESB.	**Monitoring & Improvement** Upon the integration of ESG benchmarks and criteria into Qualitas' investment activities, Qualitas will develop effective internal and external reporting frameworks to measure progress against targets.

Social

Our core values underpin our success

The success that Qualitas has achieved since its establishment 14 years ago, is a true reflection of our team, their levels of engagement and our five core values: Respect, Integrity, Collaboration, Excellence, and Entrepreneurship, which they uphold.

The values, and the behaviours that embody them, form the basis of our Values Statement and form part of our employee measures in our annual review process.

Respect
Treat all stakeholders fairly and enjoy the value of diversity

Integrity
Honour commitments and be transparent in our dealings and conduct ourselves ethically

Collaboration
Build collaborative relationships as we can achieve more collectively than individually

Excellence
Perform at our best and delight in excelling at our work and exceeding expectations

Entrepreneurship
Encourage creativity and innovation to retain the entrepreneurial spirit that created the firm

Platform growth underpinned by sustainability

Sustainability focus on selected initiatives to drive long-term value

ENVIRONMENTAL

Carbon Neutral
Recent achievement of carbon neutrality, confirmed via Climate Active Certification

Climate Active Carbon Neutral ORGANISATION

Mitigate Climate Change
Australia's first Build-to-Rent Impact Fund to integrate benchmarks and criteria in investments

Carbon Emissions Reduction
Affirm Paris Agreement to limit temperature increase

Member
Investor Group on Climate Change

SOCIAL

Reconciliation Action Plan
Submitted Reflect Reconciliation Action Plan (RAP) to Reconciliation Australia for review and established a RAP working group

Diversity and Inclusion
- 40/40/20 Gender targets, diverse and inclusive culture
- 38% female workforce vs. 29% in FY21
- 46% female hires since IPO

Member of Property Industry Foundation
Counteract youth homelessness via partnerships

GOVERNANCE

Fund Investment Committee
Integration of ESG factors in investment due diligence and IC papers

Independent Board
Majority independent QAL Board and Trustee Board, updated ESG Policy, oversight of executive incentives

ESG Steering Committee & Diversity and Inclusion Committee
Monthly and quarterly meeting of members from both committees across all functions and seniority

Partner Value Alignment
Proprietary ESG sponsor assessment tool

Signatory of the UN Principles For Responsible Investment

We recognise the importance of retaining key talent in a globally competitive market as the Company grows. To achieve this, Qualitas is committed to attracting, rewarding and retaining the best people to work in the organisation and is focused on ensuring our policies align with market trends.

Qualitas has a remuneration structure to align employees' remuneration more appropriately with the interests of shareholders and those who invest in our funds. Remuneration is now aligned, via performance measures, with the Company's key strategic drivers, behaviours and risk culture.

Our commitment to a diverse and inclusive culture

Qualitas is committed to a working environment that is inclusive and free from discrimination. One that values and recognises the power of diversity in achieving long-term performance by cultivating a sense of belonging and psychological safety.

Our board-approved Diversity Policy provides a framework for new and existing diversity-related initiatives, objectives, strategies and programs within the Company. The policy sets out our goals, of:

- Providing access to equal opportunities at work based on merit;
- Fostering an inclusive corporate culture that embraces and values diversity; and
- Designing and implementing internal programs and processes to assist in the development of a broader, more diverse pool of skilled and experienced employees that, over time, will prepare them for senior management and board positions.

Qualitas aspires to achieve gender diversity across the firm including the Board and Executive Team, of 40/40/20 (40 per cent men, 40 per cent women, 20 per cent of any gender) throughout all levels of the Company. We recognise continuous improvement is needed to reach this target and as a strategic priority, have set aspirational goals to achieve it.

Pleasingly, we are seeing change at Qualitas. Women now represent 38 per cent of our workforce, an improvement year-on-year from 29 per cent and a general trend that we have seen for a few years[1]. Additionally, 46 per cent of the talented professionals who have joined Qualitas since listing are women.

To further support our diversity policy and ambitions, an employee-led Diversity and Inclusion Committee has been re-launched in an updated format to reflect our future aspirations. They aim to embed an empowering culture, one which is welcoming, safe, and inclusive.

The Committee has already led many key changes to the way Qualitas views its talent, including balanced recruiting; remuneration consistency; improved parental leave conditions; and flexible working arrangements.

Education, awareness and leadership are important in driving change. Demonstrating this, on International Women's Day 2022, three of Qualitas' board members participated in an engaging panel discussion to celebrate the day, clearly showing how passionate they are about helping to drive change. They spoke about how quotas work to drive change, and that for women entering the workforce, they need to see women in senior leadership roles, "You can't be what you can't see".

As Qualitas continues to grow, a diverse and culturally competent workforce will be integral to our success. Given its significance, we will continually review, and enhance our policy and its implementation, through educating, celebrating, and growing our increasingly diverse team.

1. As at 30 June 2022.

Reconciliation

Qualitas acknowledges the Traditional Custodians of the land on which we work. We will continue in our efforts to recognise and implement changes towards the betterment of Aboriginal and Torres Strait Islander people.

We currently celebrate the diversity across our business, and in the communities in which we operate, through numerous in-house activities, including NAIDOC Week and Indigenous Literacy Day.

At this year's celebration of NAIDOC Week, we encouraged our team to learn more about First Nations cultures and histories and get involved in local events. Our team were able to watch the first episode of 'First Peoples' which tells the history of Australia from a First Nations perspective, beginning in 1788 in Sydney with the arrival of the First Fleet and ending in 1993 with Eddie Kolki Mabo's legal challenge.

Taking a step further, Qualitas has submitted its Reflect Reconciliation Action Plan (RAP) to Reconciliation Australia for review which we intend to finalise in FY23. The Reflect RAP is an acknowledgement of our intentions and our initial steps towards strategically setting reconciliation commitments. It will lay the important foundations for future RAPs and initiatives. These initiatives help us to reflect, learn and enact positive social change that is inclusive of Aboriginal and Torres Strait Islander people, and which will ultimately help Qualitas deliver a meaningful contribution to Australia's reconciliation journey.

Community and social impact

Qualitas has a longstanding association with the Property Industry Foundation (PIF), dating back to 2011. Both Andrew Schwartz and Tim Johansen were PIF Advisory Board members for 7 and 13 years respectively. In May this year, Kathleen Yeung became a member of the PIF Victorian Advisory Board to continue Qualitas' involvement.

It's not only the PIF Board that Qualitas is involved in. One of the community projects that we champion is the work of PIF to break the cycle of youth homelessness, one of the most severe forms of disadvantage and social exclusion that any young person can experience.

PIF's 'Make a House a Home' program for the Lighthouse Foundation is an ongoing initiative that is increasing the supply of accommodation for homeless youth by bringing together industry participants and youth charities that run the homes built. A number of our team participated in the program, helping at the new PIF House Clayton.

Qualitas is also supporting two industry-related initiatives, Capital W and the Real Estate Society, at the University of New South Wales (UNSW) through sponsorships. Both focus on informing and encouraging students, particularly women, who want to pursue a career in the real estate sector.

Capital W has the vision to inspire, empower and develop the women of today to become the future business leaders of tomorrow, building a bridge between university and the workforce.

UNSW Real Estate Society aims to bridge the gap between students and the industry by educating students about the residential and commercial industry and promoting industry opportunities.

EXECUTIVE INTERVIEW

Anna Wagner, Head of People and Culture

What cultural values do you think best define Qualitas and how are you embedding these?
The strength of Qualitas' values and culture are critical factors in driving the Company's success.

We are a dynamic, entrepreneurial organisation that is underpinned by values of respect, integrity, collaboration, excellence, and entrepreneurship.

These values, combined with a clear purpose, enables us to work as a team in a collaborative, supportive culture to achieve the best outcomes for all our stakeholders.

Has there been any changes from a people and culture perspective since IPO?
Since joining Qualitas in early 2021 as Head of People and Culture, I have been part of the transformation from a private to a public company, which has significantly increased the Company's ability to attract and retain talent.

Our profile has definitely increased in the market. We are finding that talent that is attracted to growth, and a dynamic environment, is now actively seeking us out.

The introduction of transparent incentive schemes has also played an important role in helping attract and retain talent and align people to the long-term success of the business. So too, Qualitas' contribution to improving our environment, sustainability and community and the continued evolution of our diversity and inclusion strategy.

How does Qualitas attract and retain talent; what differentiates Qualitas from its competitors in this regard?
From my perspective, the Company's depth and breadth of talent, and its focus on managing career paths and personal growth for all its people, is paramount.

We have a great team, and we provide great experiences at work. Our leaders are accessible and together we are constantly thinking about how we evolve our culture to remain one of the leading alternative real estate investment managers in Australia.

Governance

We are committed to ensuring that we have the people, policies, and practices in place for the Company undertakes and demonstrates a high standard of corporate governance.

We believe that good corporate governance is central to achieving our objectives of delivering attractive, risk-adjusted returns to investors and helping its borrowers bring their projects to life.

The Board is responsible for the overall corporate governance of the Company and the directors of Qualitas are accountable to shareholders for the performance of Qualitas, overseeing management and its adherence to the Company's policies and procedures.

The Board has developed and adopted a framework of corporate governance policies and procedures, risk management practices and internal controls that it believes appropriate for the Qualitas business. The governance framework is based on clear lines of accountability, effective delegation and adequate oversight.

The Board and its committees regularly review all aspects of the governance framework to ensure they meet regulatory requirements and are fit for purpose with respect to Qualitas' growth aspirations. The Board monitors the operational and financial position and performance of Qualitas and oversees its investment and business strategy, including approving the strategic goals of Qualitas and considering and approving its annual business plan and the associated budget.

Qualitas meets the requirements of the ASX Corporate Governance Council's Corporate Governance Principles Recommendations (4th edition) as set out in its 2022 Corporate Governance Statement.

Further information about Qualitas' corporate governance practices, and copies of key governance documents referred to in this document, are available on Qualitas' website.

PRI Principles for Responsible Investment

Qualitas is a proud signatory to the United Nations supported Principles of Responsible Investment (PRI) and its six Principles for Responsible Investment, which align with Qualitas' core ESG beliefs. Our beliefs are outlined in our ESG Policy, which explains Qualitas' commitment to ESG factors at both a corporate level and through its fund investment processes.

EXECUTIVE INTERVIEW

Tim Johansen, Global Head of Investment and Funds Risk

How does Qualitas approach risk management? Is it different to traditional ADIs, if so, please explain the differences?

As an alternative real estate investment manager, Qualitas is a risk business, and we don't hide from that fact. We are entrusted with the management of significant amounts of capital from our clients and have a responsibility to generate acceptable risk adjusted returns, plus return the capital at the end of an investment.

Over an extended period, we have developed a strong risk culture, and it is incumbent upon all our staff to ensure risk is central to our thinking. This embedded culture has helped build our industry leading investing reputation.

Risk is something you identify, assess, mitigate, manage, and price. It starts with our Investment team finding the investments, then runs through to our Risk team and ultimately, our Investment Committee – our three lines of defence framework, which ensures effective and efficient risk governance.

Qualitas applies a highly selective, repeatable, investment due diligence process across investments. New and emerging risks impacting existing investments are managed, and quantified, with regular portfolio and individual asset management reviews involving senior executives. In addition to our own objective input, we engage with external parties to verify our assumptions and other key data.

What are the main contributors to Qualitas' strong risk management track record across its fund strategies?

There are numerous factors. Among them are Qualitas' deep full-cycle real estate experience and understanding of a wide range of property classes and their associated risks, our extensive borrower and property due diligence methodologies, and an active asset management process. Our credit (lending) activities, representing around 70% of our business, benefit from multiple layers of protection including mortgage security, sponsor guarantees and other structural features. Our loan book is short dated, providing the opportunity to reset terms regularly

What are the key risk areas that you are most focused on currently?

The current market presents both opportunities and risks.

On the risk front, we are thinking deeply around inflationary pressures and the resultant global Central Banks' bias to stem this tide through interest rate rises. Consequently, we have plenty to consider, including the impact on asset prices/values, interest serviceability, mortgage pressures, market liquidity, and construction costs.

Our continued uncompromising and invasive diligence during challenging markets will help to ensure we maintain Qualitas' strong investment track record.

Brian Delaney
Non-Independent Non-Executive Director

Michael Schoenfeld
Independent Non-Executive Director

Andrew Schwartz
Group Managing Director & Co-Founder

Board of Directors

For board member bios see page 33.

JoAnne Stephenson
Independent Non-Executive Director

Mary Ploughman
Independent Non-Executive Director

Andrew Fairley
Independent Chair

Annual financial report

For the period 4 November 2021 to 30 June 2022

Contents

The consolidated financial report covers 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 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 period 4 November 2021 to 30 June 2022 and the auditor's review report thereon.

Qualitas listed on the Australian Securities Exchange ("**ASX**") on 16 December 2021 on a conditional and deferred basis and commenced normal trading on 22 December 2021. The ASX ticker is QAL.

The results presented represent the period 4 November 2021 to 30 June 2022.

Principal activity

The principal activities of the Group during the year were funds management and direct lending on commercial real estate.

Directors

The following persons were Directors of Qualitas Limited (ASX ticker: QAL) during the period 4 November 2021 and up to the date of this report unless otherwise stated.

Andrew Fairley AM	Appointed 4 November 2021[1]
Andrew Schwartz	Appointed 4 November 2021[1]
Mary Ploughman	Appointed 4 November 2021
Michael Schoenfeld	Appointed 4 November 2021[1]
JoAnne Stephenson	Appointed 4 November 2021
Brian Delaney	Appointed 4 November 2021[1]

1. Andrew Schwartz was also a director of various companies in the Group during the year. Andrew Fairley AM, Brian Delaney and Michael Schoenfeld were members of an advisory board of the Group prior to the incorporation of the Company on 4 November 2021. Andrew Fairley AM was a director of Qualitas Securities Pty Ltd and certain other companies in the Group during the period up until 1 November 2021

Directors' qualification and experience

Andrew Fairley AM

Independent Non Executive Chairman

Andrew is the Independent Chair of the Qualitas Board effective 4 November 2021. Prior to this, he has been an independent Director of the Board of Qualitas Securities Pty Ltd, the trustee for the Qualitas Funds since July 2017. He has more than 40 years' experience as an equity and commercial lawyer, including in superannuation, trusts, estate and succession planning. He founded Australia's first specialist superannuation law firm, IFS Fairley, in 1993, having built a reputation as a leading practitioner in superannuation law and practice since 1980. He has been named by the Australian Financial Review as one of Australia's best superannuation lawyers each year from 2013. He has specialised as a legal advisor to trustees of industry, corporate and public sector superannuation funds. Andrew founded and then Chaired the Law Council of Australia's Superannuation Committee for 10 years and maintains a close interest in the development of superannuation law and policy. He retired in June 2021, after more than 12 years in the role as the Chair of Equip Super, a $30 billion industry superannuation fund. He is an Industry Director of the Australian Financial Complaints Authority. Previous roles have included Chair of Parks Victoria, Zoos Victoria and Deputy Chair of Tourism Australia. In addition, he is involved in the philanthropic sector as Chair of the Sir Andrew Fairley Foundation and is Deputy Chair of the Mornington Peninsula Foundation. Andrew completed his law degree at Melbourne University and holds an Honorary Doctorate from Deakin University. He practises as a Consultant to Hall & Wilcox Lawyers in Melbourne.

Andrew Schwartz

Group Managing Director, Co-Founder and Chief Investment Officer

Andrew is the Co-Founder, Group Managing Director and Chief Investment Officer of Qualitas. He has over 36 years' experience in financial services with an extensive track record across real estate investments, pioneering the alternative credit market in Australia in the late 1990s with a focus initially on mezzanine debt. He is responsible for overseeing the firm's activities, setting the strategic direction of the business as well as building and enhancing relationships with clients and investors. Andrew is the Chief Investment Officer for the firm's debt and equity funds. Andrew is currently a director of a number of Qualitas Group Members. Prior to Qualitas, Andrew was a Head of Asia Pacific Real Estate at Babcock & Brown, the Director of Risk at AIDC and a Senior Manager at Bank of America. Andrew earned a Bachelor of Economics (Accounting) from Monash University. He is a Member of Chartered Accountants Australia and New Zealand and CPA Australia.

Mary Ploughman

Independent Non Executive Director

Mary has more than 30 years' experience in leadership, financial services, structured finance, securitisation, capital markets, governance and risk management across a range of financial services institution, infrastructure and not for profit boards. Mary has served as a Non Executive Director of Sydney Motorway Corporation, the NSW Government state owned corporation responsible for the construction and management of Westconnex and was also Deputy Chair of the Australian Securitisation Forum. Mary is the former Joint CEO of Resimac Group Ltd. Prior to Resimac Mary worked in Structured Finance in Price Waterhouse Coopers and Macquarie Bank. Mary is currently the Chair of Plenti Group Ltd (appointed July 2020), a fintech in consumer finance, a Non Executive Director of Prospa Group Limited (appointed March 2021), a fintech in SME finance, Chair of Pitcher Partners and a senior advisor with Gresham Partners. Mary was awarded the Kanga News Market Achievement Award in 2016 and was made a Fellow of the Australian Securitisation Forum. Mary holds a Bachelor of Economics from the University of Sydney, is an Associate of the Securities Institute of Australia and a Graduate of the Australian Institute of Company Directors.

Directors' report

Michael Schoenfeld

Independent Non Executive Director

Michael has over 45 years' experience specialising in accounting, taxation and audit of public and private companies. Michael is a Member and Fellow of Chartered Accountants Australia and New Zealand, a Registered Company Auditor and a Registered Tax Agent. Michael established his own accountancy practice in 2005, and since then has specialised in advising clients on organisational and business management, taxation, risk and governance matters. Michael has extensive experience with property investors, developers and financiers and in assisting high net worth clients in estate and succession planning. He chairs and is a member of a number of high-net-worth client family boards, advisory boards and not-for-profit boards.

JoAnne Stephenson

Independent Non Executive Director

JoAnne has extensive experience spanning over 25 years across a range of industries. JoAnne was previously a senior client partner in the Advisory division at KPMG and has key strengths in finance, accounting, risk management and governance. JoAnne is currently the Chair of Myer Holdings Ltd (appointed a Non-Executive Director in November 2016, acting Chairman from 29 October 2010 to 15 September 2021 and Chairman on 16 September 2021), and a Non-Executive Director of Challenger Limited (appointed 2012). She is also Chair of the Major Transport Infrastructure Board (Victoria). JoAnne was previously a Non-Executive Director of Asaleo Care Limited and Japara Healthcare Limited. JoAnne holds a Bachelor of Commerce and Bachelor of Laws (Honours) from the University of Queensland and is a Member of Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors.

Brian Delaney

Non Independent Non Executive Director

Brian has had over 35 years' experience in the funds management industry holding senior roles globally. Brian is the Chair of Fund Executives Association Limited (FEAL) and has previously held roles at QIC as Executive Director of Strategy, Clients & Global Markets, and as U.S. Senior Managing Director, leading QIC's efforts to foster client relationships and business development opportunities across four offices in New York City, San Francisco, Cleveland and Los Angeles. Brian has also held roles at AMP Capital Investors as Director of the Client, Product & Marketing division where he was responsible for all institutional, retail and self-managed super fund strategies, and serving as a member of the Global Executive Team. Brian is a graduate from the Harvard Business School Executive Education Program and holds an Advanced Diploma in Financial Planning and Post Graduate Certificate in Management from Macquarie University. Brian is a life member of the Association of Superannuation Funds (**ASFA**), a Fellow of ASFA and the Australian Institute of Company Directors and is a Director of Auctus Investment Group and the Trawalla Group. Past directorships include the boards of Lonsec Financial Group, Basketball Australia, ASFA and Investment Management & Consultants Association (**IMCA**).

Company Secretary

The Company Secretary of the Company is Terrie Morgan (LLB; B.AgSc; GDLP) and was appointed by the Board on 8 June 2022. Terrie is a corporate lawyer and has over 15 years' experience in commercial, executive and legal counsel roles, with experience as an ASX listed company secretary and advisor.

The Company Secretary for the period 4 November 2021 – 8 June 2022 was Daniel Mote (LLB; BCom). Daniel is the Head of Legal for Qualitas, and is a commercial lawyer with over 15 years' experience across finance, funds management and general corporate and commercial expertise.

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors and excluding circulatory resolutions) and number of meetings attended by each of the Directors of the Company during the period are:

	Board meetings		Audit, Risk & Compliance Committee Meetings		Nomination, Remuneration and Governance Committee Meetings		Investment Committee Meetings	
	A	B	A	B	A	B	A	B
Andrew Fairley AM	12	12	5	5	4	4	5	5
Andrew Schwartz [1]	12	12	4	4	2	2	5	5
Mary Ploughman	12	12	—	—	4	4	—	—
Michael Schoenfeld	12	12	5	5	—	—	5	5
JoAnne Stephenson	11	12	5	5	—	—	4	5
Brian Delaney	11	12	—	—	4	4	—	—

1 Andrew Schwartz is not a member of the Audit, Risk and Compliance Committee or the Nomination, Remuneration and Governance Committee, therefore number of meetings attended is noted in column A and column B

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the period

Directors' interests

Please see the Remuneration Report for the details of Directors' interests in the Group.

Directors' report

Operating and financial review

The net profit after tax of the Group for the period 4 November 2021 to 30 June 2022 amounted to $12,115,681.

Shareholder returns

	2022 $
Profit attributable to the owners of the Group	12,115,681
Basic EPS	5.13 cents
Dividends paid	–
Dividends per share	–
Change in share price	(0.94)
Return on capital employed	3.42%

Review of operations

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

The Company was incorporated on 4 November 2021. It listed on the Australian Securities Exchange (**ASX**) on 16 December 2021 on a conditional and deferred basis and commenced trading on a normal basis on 22 December 2021 with 134 million new shares on issue at a total raise of $335 million. In addition to this, 160 million of existing shares were also listed at a total value of $400m. Listing costs of $16.5 million were incurred with $11.8 million reflected through equity (net of tax effect) and the balance of $3.9 million recorded in the profit and loss statement.

The Company acquired Qualitas Property Partners Pty Ltd and Qualitas Investments Unit Trust (and the shares in Qualitas Investments Pty Ltd, being the trustee of the Qualitas Investments Unit Trust) on 21 December 2021 and formally commenced trading and operations on 22 December 2021.

The Company is one of Australia's pre-eminent alternative real estate investment managers with extensive operating experience. 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.

Real Estate Private Credit

Funds [1] managed by Qualitas invest in commercial real estate credit on behalf of Fund investors, including:

» senior and mezzanine loans secured by stabilised investment properties, construction projects, completed high-density residential dwellings and pre-development land; and

» lending into growing real estate sectors benefitting from strong structural growth, including build to rent (**BTR**) assets.

Qualitas' direct lending subsidiaries, Arch Finance and Peer Estate, provide commercial real estate debt to smaller borrowers and, in the case of Peer Estate, peer-to-peer platform for individual wholesale investors to provide debt financing.

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

Opportunistic equity funds comprise 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

» warehousing, underwriting or bridging assets or loans for a Fund prior to the completion of a capital raising for a Fund or the launch of a new Fund following which the Fund will take out or refinance the warehousing, underwriting or bridging arrangement (including by repayment or acquiring or directly pursuing the investment opportunity).

Key activities for the period include:

» A new income credit mandate, Qualitas Senior Debt Investment Fund, was closed for $200m.

» Qualitas Diversified Real Estate Fund had a first close through the purchase of the Runaway Bay Convenience retail centre representing $360m of gross asset value.

» The Company entered into a Build to Rent Equity joint venture which deployed into 4 assets during the financial year amounting to $1.2b of gross asset value.

» Over the full year, Qualitas enjoyed strong capital deployment of $1.9 bn.

» Qualitas achieved certification of a carbon neutral footprint from Climate Active [2] for the year ended 30 June 2022.

A summary of the financial performance for the period ended 30 June 2022 is detailed below.

	2022 '000
Total Revenue	$39,214
Profit/(loss) from ordinary activities after tax attributable to members	$12,116
Funds from operations ("**FFO**")	$8,140
Weighted average securities on issue	236,184

The Company recorded total revenue of $39,214,074 a statutory profit of $12,115,681 and funds from operations of $8,139,906. FFO represents the underlying earnings from its operations and is determined by adjusting the statutory profit after tax for items which are non-cash, unrealised or capital in nature.

1 Any unlisted and listed funds or other non-fund mandates currently being managed by Qualitas and any unlisted or listed funds of other non-fund mandates that may be established and managed by Qualitas in the future .

2 Climate Active is an Australian entity that drives voluntary climate action. Climate Active certification is awarded to businesses and organisations that have reached a state called carbon neutrality, in accordance with Climate Active's parameters.

Directors' report

A summary of the reconciliation between the statutory profit after tax and FFO is detailed below.

	2022 $'000
Statutory profit after tax	12,116
Income tax (expense)/benefit	1,416
Straight lining & amortisation	704
Acquisition & transaction costs (IPO & QRI)	3,924
Performance fee revenue net of staff incentives	(10,879)
Fair value movements	859
Other adjustments	–
FFO	8,140

A summary of the financial position as at 30 June 2022 is detailed below.

	2022 $'000
Assets	
Investments	32,134
Total assets	812,764
Net assets	354,568
Net tangible assets	354,568
Adjusted net tangible assets	354,568
Number of securities on issue	294,000
Net tangible assets ($ per security)	1.21
Adjusted net tangible assets ($ per security)	1.21
Capital management	
Drawn debt	37,790
Cash	309,010
Gearing ratio (%)	10.7%
Weighted average Cost of Debt (% per annum)	6.7%

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.

In an environment of rising interest rates and inflation, the Company is observing withdrawals of liquidity in the market and asset value recalibration. These conditions favour well capitalised alternative financiers, like Qualitas, with a track record of disciplined capital deployment. The investment returns on Qualitas' credit funds are anticipated to increase with the benefit of real asset security, while Qualitas' equity funds have the benefit of sourcing investments with recalibrated asset values, with premiums being paid for liquidity.

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

Risks

The Group actively identifies, assesses and manages risks consistent with its risk management framework. The Group has a strong focus on risk mitigation and management through its robust risk management and governance frameworks, and its operating structure and procedures. The following list is not a comprehensive list but summarises some of the Groups' key risks and the way they are managed.

Failure to attract and / or retain Fund investor capital

The Group's business relies heavily on attracting new fund investor capital, and retaining fund investor capital, in order to generate fees from its funds. If clients do not continue to invest in Qualitas funds or if new investors do not choose to invest in Qualitas funds, the growth in the Group's revenue may be slower than expected or may even decline.

The Group manages this risk via business development and client servicing. The Group invests in people and marketing to support its business development and client servicing, and ensures the Group adheres to its risk management framework across the investment lifecycle. Regular reporting to senior management and the Board maintains accountability across the Group.

Changing regulatory environment

The provision of financial services is highly regulated. Financial services regulation is complex and is impacted by published ASIC guidance as well as ASIC's views, both of which may change from time to time.

All regulatory approvals for the continued operation of the Groups' business, including licences or exemptions from licensing for Qualitas and Qualitas Funds have been obtained and Qualitas is not aware of any circumstances which are likely to give rise to the cancellation or suspension of any of those regulatory approvals.

The Group manages this risk through its internal full time legal and compliance departments, supported by regular employee formal and informal training programs. The Group further supports its regulatory management through a panel of reputable legal, tax, accounting and insurance advisors along with internal and external audit controls. Appropriate policies and procedures are in place across the Group, with transparent reporting across the Group to senior management and the Board.

Economic risks

Changes in general economic conditions, both domestic and global, weakening or downturn in the financial services or funds management industries, introduction of tax reform, new legislation, employment rates, movements in interest, credit spreads, equity risk premiums, corporate failure rates, inflation rates, currency exchange rates and national and international political circumstances may have an adverse effect on the Group's activities, as well as on its ability to fund those activities.

The Group manages this risk through its management Investment Committee (in addition to the Board Investment Committee), that oversees investments of the group to ensure appropriate strategies are in place to address market risk. Ongoing reviews and market intelligence are undertaken with regular and transparent reporting to senior management and the Board, as relevant.

Directors' report

Risks continued

Climate-related and environmental risks

There are a number of climate-related factors that may affect the Group's business. Climate change or prolonged periods of adverse weather and climatic conditions (including rising sea levels, floods, hail, drought, water, scarcity, temperature extremes, frosts, earthquakes and pestilences) may have an adverse effect on Qualitas, or Fund investments.

The Group believes rising global carbon emissions and consequent global warming represents the greatest risk we are likely to experience this century to both investment markets and the physical well being of the global community. Accordingly, one of the Group's' immediate goals is focused on how, as a corporate citizen, it can achieve carbon neutrality, whilst at the same time influence partners and borrowers to invest in real assets with a strong sustainability focus.

Qualitas achieved Climate Active[1] certification in June 2022.

Qualitas is a signatory to the United Nations supported Principles for Responsible Investment (**UNPRI**). As a signatory, the Group is committed to implementing its principles which are consistent with the Group's core ESG beliefs.

The Group believes it has a significant role to play in supporting and encouraging sponsors and borrowers to invest in real assets with a strong sustainability focus. As an equity investor or joint venture partner Qualitas can exert more influence with respect to sustainability outcomes. As a lender, Qualitas' ability to influence is more limited and involves, for example, advocating for the financial and risk management benefits of sustainable development and in some cases may involve requirements around meeting minimum sustainability parameters. The Group believes that material progress in the transition to low carbon investment activities can only be made with a transparent and robust reporting system to inform investment policy.

Cyber risk and network integrity risk

The Group's information and technology systems, or those of its suppliers or other counterparties, may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorised persons and security breaches, usage errors, power outages and catastrophic events.

The Group manages this risk by ensuring appropriate IT protection software and detection systems are in place, along with back-up data retention. The Audit, Risk and Compliance Committee regularly receives and reviews reports on cyber risk and IT integrity.

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 21 December 2021 the Company acquired all the shares in Qualitas Property Partners Pty Ltd and all the units in Qualitas Investments Unit Trust (and the shares in Qualitas Investments Pty Ltd, being the trustee of the Qualitas Investments Unit Trust). The transaction occurred over entities under common control and all assets and liabilities were transferred at their book values in the accounts of the acquirer.

Qualitas Limited listed on the Australian Securities Exchange ("**ASX**") on 16 December 2021 on a conditional and deferred basis and commenced normal trading on 22 December 2022. The ASX ticker is QAL. The Company commenced operations on 22 December 2021.

Principal activities[2]

The Company is an Australian alternative real estate investment manager with FUM of approximately $4.3 billion as at 30 June 2022 across debt and equity Funds and other mandates. The Company specialises in managing funds focused on the real estate private credit and real estate private equity sectors. The Company Funds platform consists of 14 active funds, comprising 5 specialist commercial real estate (**CRE**) credit funds, and 9 specialist real estate private equity funds, which, together with other investor and non-fund mandates (**Funds**), manage a total $4.3 billion of FUM. Additionally, the Company holds interests in its Funds alongside wholesale and retail investors (Fund Investors), totaling $32.1 million (Co-Investments).

Arch Finance is a wholly owned entity of the Company. 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 Australian Securities Exchange (**ASX: QAL**) on 22 December 2021.

1 Climate Active is an Australian entity that drives voluntary climate action. Climate Active certification is awarded to businesses and organisations that have reached a state called carbon neutrality, in accordance with Climate Active's parameters.

2 As at 30 June 2022.

Directors' report

After balance date events

Post 30 June 2022, Abu Dhabi Investment Authority (**ADIA**) agreed with Qualitas for a mandate to invest A$700m on their behalf into Australian CRE private credit opportunities. The mandate will be carried out through the newly created Qualitas Diversified Credit Investments (**QDCI**), which will have a wide investment scope with a focus on the growing Australian CRE private credit market and senior credit strategies. The term of the mandate is 7 years, plus a 1-year extension option, with a 5-year investment period. Qualitas is co-investing 5% ($35m) in the QDCI which is consistent with the objectives of the capital raised in the IPO. The mandate increases total FUM to circa A$5 billion focused on CRE credit (74% of FUM) and equity (26% of FUM) opportunities. Additionally, Qualitas has granted options to ADIA under which ADIA may acquire up to 32,630,374 new ordinary shares in Qualitas, conditional on further investment mandates from ADIA of up to $1 billion in the next 2 years with the Group [1], representing up to 9.99% [2] of current issued equity on a fully diluted basis. The exercise price of each option is the VWAP [3] (per share) of shares issued since the IPO of Qualitas. This price is agreed to be A$2.50 subject to future issuances of Qualitas shares. The expiry date of the options is 1 August 2024, extendable by a further 6 months where the allocation of ADIA's capital under the mandate does not exceed A$560 million by the date that is 18 months after the issue date of the options.

Additionally, subsequent to year end, on August 18 2022, the Directors declared a fully franked distribution of 4 cents per share which amounted to $11,760,000 to be paid on September 8 2022 with a record date of 24 August 2022.

There were no other matters or circumstances that have arisen since 30 June 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.

Remuneration Report

The Remuneration Report is set out on pages 39 to 47 and forms part of this Directors' Report.

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

Indemnification and insurance for directors and officers

The Group has entered into insurance contracts, which indemnify directors and officers of the Group, and its controlled entities against liabilities. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid are confidential. An indemnity agreement has been entered into between the Group, officers and each of the Directors named earlier in this report. Under the agreement, the Group has agreed to indemnify the Directors and officers against any claim or for any expenses or costs, which may arise as a result of the performance of their duties as directors or officers to the extent allowed by law.

Non-audit services

During the year KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties. Details of the audit fee and non-audit services are set out in note 32 on page 83 to the financial report. The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit, Risk and Compliance Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the reason that all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit, Risk and Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor.

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 48.

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

Andrew Fairley AM
Chairman

Melbourne, 18 August 2022

1 This may be extended by a further 6 months where the allocation of ADIA's capital under the mandate does not exceed A$560 million by the date that is 18 months after the issue date.

2 On a fully diluted basis, excluding share rights under the Company's Employee Equity Plan.

3 Volume weighted average price.

Letter from the Chair of the Nomination, Remuneration and Governance Committee of Qualitas

30 June 2022

Dear Securityholders,

On behalf of the Board of Directors ('**Board**') of Qualitas Limited ('**Qualitas**' or '**Company**'), and as Chair of the Nomination, Remuneration and Governance Committee ('**NRG Committee**'), I am pleased to present the Company's inaugural remuneration report.

The Board would like to take this opportunity to congratulate the team on their hard work and outstanding achievements for FY22. In addition to the milestone of listing on the Australian Securities Exchange in December, notable highlights for FY22 [1], include:

» Deployment grew by 43% on FY21 exceeding Prospectus forecast of $1.47bn by 31%.

» Both total revenue growth and operating funds management EBITDA margin exceeded Prospectus forecast. Total revenue grew by 32.0% and operating funds management EBITDA margin increased from 35.1% in FY21 to 48.8% in FY22, further highlighting management's ongoing focus on increasing scale and operating leverage.

» Strong outperformance in terms of capital deployment of $1.93bn.

FY22 Remuneration Outcomes

The content of this Remuneration Report is aligned with what we described in the Prospectus. I provide key comments below in relation FY22 executive pay:

» Andrew Schwartz (Group Managing Director and Chief Investment Officer) did not participate in the FY22 Short-Term Incentive (STI) plan. His significant shareholding in the Group ensures continued alignment with long-term shareholder outcomes.

» Mark Fischer (Global Head of Real Estate) and Philip Dowman (Chief Financial Officer) did participate in the FY22 STI, and achieved vesting outcomes of 85.3% and 81.8% respectively. The Board views these outcomes as appropriate in the context of their individual performance as well as the performance of the Group.

» Philip Dowman (Chief Financial Officer) was granted Share rights relating to Qualitas' listing with a face value of $125,000.

» No Long-Term Incentive (**LTI**) plan was offered at IPO. The first LTI post listing will have a performance period from 1 July 2022 to 30 June 2025. Further details are provided within the report.

» As outlined in the Prospectus, our Executive KMP have legacy interests in 'Fund Participation Rights', connected to performance of certain Qualitas Funds, which do not begin to mature until FY23. No Fund Participation Rights vested during the FY22 reporting period.

Looking Forward to FY23

We will continue to review and assess the effectiveness of our remuneration framework in order to ensure it remains appropriate for Qualitas.

On behalf of the Board, I invite you to read the Remuneration Report and welcome any feedback you may have.

Mary Ploughman
Chair of the Nomination, Remuneration and Governance Committee

18 August 2022

1 The year-on-year analysis relates to the underlying Qualitas business acquired by QAL on 21 December 2021.

Remuneration report (audited)

The Company was incorporated on 4 November 2021 and first listed on the Australian Securities Exchange on 16 December 2021.

This Remuneration Report captures the Company's remuneration arrangements for the period from incorporation to 30 June 2022. As this is the Company's first Remuneration Report as a listed entity, no comparative data is provided in the Report. Comparative information will be provided in future years to assist securityholders to understand the remuneration structures put in place by, and the performance of, the Company. The Remuneration Report is presented in accordance with the requirements of the *Corporations Act 2001* (Cth) (the Act). It has been audited as required by Section 308(3C) of the Act.

1. Key Management Personnel

The remuneration report details the key management personnel ('**KMP**') remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including all directors. They include non-executive Directors and senior executives who fall within those criteria. For the year ended 30 June 2022, KMP were:

Table 1: Listing of Directors and Executive KMP

Directors	Role	Commenced as KMP
Andrew Fairley AM	Independent, Non-Executive Chairman	4 November 2021
Andrew Schwartz	Group Managing Director, Co-founder and Chief Investment Officer ('**Group Managing Director**')	4 November 2021 (appointed as Director) (appointed as Group Managing Director 16 December 2021)
Mary Ploughman	Independent Non-Executive Director	4 November 2021
Michael Schoenfeld	Independent Non-Executive Director	4 November 2021
JoAnne Stephenson	Independent Non-Executive Director	4 November 2021
Brian Delaney	Non-Executive Director	4 November 2021

Executive KMP	Role	Commenced as KMP
Andrew Schwartz [1]	Group Managing Director, Co-Founder and Chief Investment Officer ('**Group Managing Director**')	4 November 2021 (appointed as Director) (appointed as Group Managing Director 16 December 2021)
Mark Fischer [2]	Global Head of Real Estate	16 December 2021
Philip Dowman [2]	Chief Financial Officer	16 December 2021

1 Remuneration is calculated from 21 December 2021, the date of acquisition of Qualitas Property Partners Pty Ltd and Qualitas Investments Unit Trust.

2 Assessed as being KMP from the date at which QAL commenced trading on the ASX on a conditional basis. Remuneration is calculated from 21 December 2021, the date of acquisition of Qualitas Property Partners Pty Ltd and Qualitas Investments Unit Trust.

2. Executive Remuneration Governance and Structure

The NRG Committee's role and objectives are to support and advise the Board in fulfilling its responsibilities to securityholders and employees of the Group in relation to remuneration. The NRG Committee oversees the Group's overall remuneration and incentives framework and policies, including giving appropriate consideration to the Company's performance and objectives, employment conditions and remuneration relativities.

The members of the NRG Committee are Mary Ploughman (Chair), Andrew Fairley AM and Brian Delaney.

Principles used to determine the nature and amount of remuneration

The Board, with the assistance of the NRG Committee is partnering with management to structure an executive remuneration framework and policy that seeks to be market competitive and to align performance measures to the achievement of the Group's strategic objectives.

Key principles that will guide the reward structures are as follows:

1) ensuring alignment with Qualitas' vision, values, and strategy, and encouraging appropriate behaviours;
2) aligning the interests of Employees and Directors with company performance and achievement of business goals (both, financial and non-financial), without rewarding misconduct, or conduct negatively impacting Qualitas' reputation;
3) promoting diversity and equality;
4) ensuring easy to understand, and transparent, remuneration policies and practices designed to attract, retain and motivate Employees and Directors;
5) including risk gateways to ensure participants act within agreed risk parameters;
6) balancing competitiveness, with economical value to shareholders, in changing market conditions, recognising that for truly critical talent, generous packages should be favoured, but weighted to the long term; and
7) meeting high standards of governance and complying with all relevant legal and regulatory provisions, including having regard for the expectations of an ASX listed entity.

Remuneration report (audited)

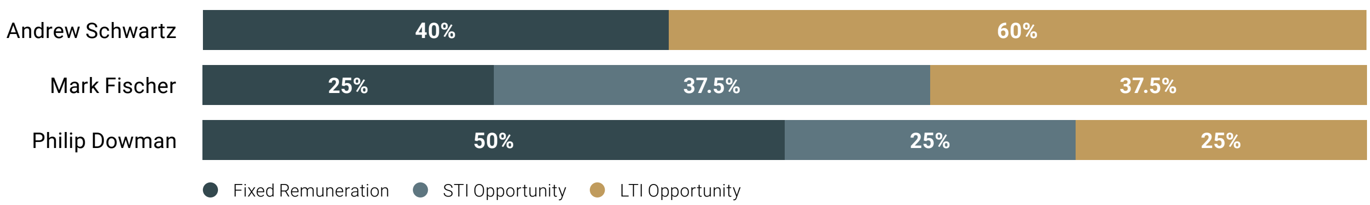
3. Executive Remuneration Framework

The key components of the Company's remuneration framework are summarised below.

Table 2: Executive remuneration framework

Component	Purpose
Fixed Remuneration Delivered in **Cash**, comprising: » Base salary; » Statutory benefits (superannuation); » Other agreed benefits.	Primary reward for performing duties of job, and defined according to role, qualifications, experience, and skills against appropriate comparator group. This is reviewed annually. Benchmarked against comparator data, and purposefully set above median, in order to attract, retain and motivate the appropriate talent.
Short-Term Incentive (STI) Delivered in **Cash**, and 50% of balance over $100,000 in **Deferred Equity** over two years. Performance tested against a scorecard of financial and non-financial measures. The Group Managing Director is not participating in the STI in FY22.	Reward to encourage performance against identified annual short-term financial and strategic objectives. Inclusion of risk gateway to foster acceptable risk behaviour. Deferred component encourages longer-term alignment with shareholders and retention.
Long-Term Incentive (LTI) Delivered in **Performance Rights**, subject to 3-year performance conditions No LTI was in place in FY22. The first grant will be made in FY23.	Reward to encourage performance against long-term group-wide objectives, to align key individuals with Shareholder outcomes, and to encourage retention.
Fund Participation Rights – Legacy entitlement Delivered in **Cash**, most commonly a share of Performance Fee, payable at maturity/termination of fund. No Fund Participation rights were awarded to KMP in FY22. Some KMP have legacy Fund Participation Rights on foot that will vest in the years to come (resulting in cash payments being made in accordance with fund outcomes at maturity). No Fund Participation Rights matured in FY22.	Incentivise key individuals to maximise performance of funds managed, and to retain these key individuals for the life of the investment.

Table 3: Executive KMP remuneration mix for FY23



Remuneration report (audited)

4. Executive Short-term Incentive ('STI') plan

The table below provides an explanation of the terms and conditions applying to the FY22 STI.

Overview of the STI	The STI is an 'at-risk' component of senior executive remuneration whereby, if the applicable performance conditions are met, 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.
Participation	Senior management and other selected employees are eligible to participate in the STI, including Mark Fischer and Philip Dowman. Andrew Schwartz is not participating in the FY22 STI or FY23 STI.
Performance period	1 July 2021 to 30 June 2022.
FY22 STI opportunity	Mark Fischer: 150% of Fixed Remuneration Philip Dowman: 50% of Fixed Remuneration
Performance conditions	In order for any portion of the STI to be eligible to vest, the risk gateway is required to be met. The performance conditions selected for the FY22 STI award were a combination of financial and non-financial measures. The Board recognises that variable remuneration structures must encourage appropriate behaviours and not be singularly focused on single-year financial objectives.
Delivery of FY22 STI	The first $100,000 of any vested STI award will be paid in cash, as well as 50% of the remaining award, and the remaining 50% in the form of Share Rights which will vest following a deferral period of 2 years (Deferred Component).
Deferred STI	The Deferred Component of the STI will be delivered in Share Rights. A Share Right is a conditional entitlement to receive a share. The number of Share Rights allocated will be calculated by dividing the Deferred Component by the 5-day VWAP immediately following release of FY22 results. Subject to the participant's continued employment for a further two years, the Share Rights will vest and entitle the participant to the equivalent number of ordinary shares. Share Rights are granted for nil consideration and no amount is payable on vesting. Share Rights do not carry distribution or voting rights prior to vesting.
Treatment of Share Rights on cessation of employment	Unless the Board determines otherwise, all Share Rights will immediately lapse upon cessation of employment prior to the end of the performance period.
Change of control	The Board may determine that all or a specified number of a senior executive's Share Rights will vest where there is a change of control event in accordance with the Qualitas Employee Equity Plan (**QEEP**) rules.
Clawback and preventing inappropriate benefits	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.

Remuneration report (audited)

4. Executive Short-term Incentive ('STI') plan continued

FY22 STI Plan outcome

Andrew Schwartz did not participate in the FY22 STI plan.

Below is a summary of how each executive performed against their FY22 key performance indicators.

Mark Fischer

FY22 STI Opportunity: $900,000
STI outcome: 85.3% of opportunity: $767,700

Mark's contribution to the team in FY22 was exceptional. The upgrade to EBIT post prospectus reflects this with deployment exceeding budget by over 20%. Over 90% of funds were performing within their target range. Mark's leadership and management were strong with team engagement high and diversity increasing in the team.

Mark's personal conduct aligned with Qualitas values. Risk and compliance protocols all met.

Philip Dowman

FY22 STI Opportunity: $180,000
STI Outcome: 81.8% of opportunity: $147,240

Philip's contribution to Qualitas through FY22 was outstanding, highlighted by his successful leadership and development of our finance function as we transitioned from an unlisted company to a listed company.

Philip performed critical actions which delivered significant value to Qualitas with the upgrade achieved on prospectus guidance, while managing all risk and compliance protocols, and building a diverse and engaged team.

The Board views the above FY22 STI outcomes as appropriate in the context of the performance of these individuals and their contribution to Qualitas over what has been a milestone year for Qualitas, where forecasts were exceeded.

5. Executive Long-term Incentive Plan ('LTI') plan

The Company has established the Executive LTI plan to assist in the motivation, retention and reward of eligible employees (excluding Andrew Schwartz, who will participate in the LTI loan plan, described below).

The Executive LTI is designed to align the interests of employees with the interests of Shareholders by providing an opportunity for employees to receive an equity interest in the Company subject to satisfaction of key performance conditions.

No LTI has been granted for FY22. Qualitas intends to make its first grant of rights under the Executive LTI plan in FY23 ('FY23 Executive LTI Grant'). Key details of the FY23 Executive LTI grant are set out below:

Table 4: LTI grant details

Term	Details	
Performance Period	3 years, commencing on 1 July 2022 and ending on 30 June 2025	
Performance Measures	Performance Rights granted under the FY23 Executive LTI will be subject to financial and non-financial measures that will be detailed in the 2022 Notice of AGM	
LTI Opportunity	**Andrew Schwartz** [1]	150% of Fixed Remuneration
	Mark Fischer	150% of Fixed Remuneration
	Philip Dowman	50% of Fixed Remuneration
LTI Instrument	Performance Rights [2]	

1 Pursuant to LTI loan plan, described below

2 Except for Andrew Schwartz, granted Loan Shares, under LTI loan plan, described below.

LTI loan plan

Andrew Schwartz will be entitled to participate in an Executive LTI loan plan. Under the LTI loan plan, Andrew Schwartz will be entitled to acquire loan shares in Qualitas. Full details of the proposed terms of Andrew Schwartz's LTI under the LTI loan plan will be disclosed in the notice of AGM.

Andrew Schwartz's LTI arrangement differs to the other executives as Andrew Schwartz is a substantial shareholder of the Company and as a result, unlike other executives, would not be able to participate in the FY23 Executive LTI without significant adverse detriment as any equity under the Executive LTI plan would be taxed at grant.

Other legacy awards

Employee Equity Award

As outlined in the Prospectus, 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 balance of Share Rights under the Employee Equity Award as at the balance date was 720,000.

Philip Dowman was one of the participants in this award. He was granted Share rights with a face value of $125,000.

Remuneration report (audited)

5. Executive Long-term Incentive Plan ('LTI') plan continued

Fund Participation Rights

One method used by Qualitas to incentivise key individuals to maximise performance of Funds managed, and to retain these key individuals for the life of the investment, is to award Fund Participation Rights.

Fund Participation Rights are a share of performance fees linked to the performance of a Fund, or other investment vehicle, managed by Qualitas with or without conditions, and distributed as cash payments, when the Fund matures (or similar milestone event occurs), subject to individuals remaining employed with Qualitas at the time.

While the terms of Fund Participation Rights can differ based on the circumstance, fees are typically:

» Only payable based on Performance Fee calculation reflected in final audited financial statement of the Fund, prepared in accordance with Fund's governing documents, including Information Memorandum, Trust Deed and associated documents;

» Only payable once all Performance Fees earned by Qualitas from the Fund have been received in cash;

» Only payable subject to there being no future claims against Qualitas (e.g. contingent liability), with Qualitas completely 'off-risk' on the Fund; and

» Only payable subject to the Participant's continued employment until the payment date.

As outlined in the Prospectus, Fund Participation Rights have historically been a significant component of remuneration for many Qualitas executives, including the current Executive KMP.

As a result of this, the Executive KMP have a significant value of legacy Fund Participation Rights which remain on foot. The values of these awards are variable based on performance of the individual Funds, and subject to continued employment at the date each relevant Fund matures. The Funds are scheduled to mature between December 2022 and January 2027.

Table 5: Fund Participation Rights [1]

Fund (Maturity Date)	Andrew Schwartz $	Mark Fischer $	Philip Dowman $
Opportunity Fund I (December 2022 — March 2023)	2,610,268	1,580,662	—
Construction Debt Fund IA (July 2023)	—	32,570	—
Construction Debt Fund IB (July 2023)	—	62,527	—
US Multifamily Fund I (December 2024)	2,617,302	981,699	54,448
Construction Debt Fund II (March 2025)	—	294,990	—
Food Infrastructure Fund (April 2025)	2,625,694	1,133,963	164,065
North Adelaide (March 2026)	—	—	15,250
US Office Fund (March 2026)	—	—	27,224
Opportunity Fund II (July 2026 – January 2027)	1,332,340	1,717,375	48,916
Total	**9,185,604**	**5,803,786**	**309,903**

1 This is the estimated fair value that the executive KMP are currently entitled to but it does not reflect the amount that has been recognised as an expense in the financial statements.

No payments were made to Executive KMP in connection with Fund Participation Rights during the relevant reporting period.

As outlined in the Prospectus, Mark Fischer also has legacy entitlements to receive 'success payments' to the extent certain agreed Qualitas Fund milestones are met. The total value of these success payments is not expected to exceed $300,000 and are only paid where the specific milestones are met.

Remuneration report (audited)

6. Non-Executive Director's Remuneration

The annual base Non Executive Director fees currently agreed to be paid by the Company to each Non Executive Director is $105,000 per year. The Chairman, Andrew Fairley, will receive an annual base fee of $210,000 per year. These fees are inclusive of any statutory superannuation contributions.

Additionally, the Company will pay $20,000 to the Chair of each of the Board's committees. This will include the Chair of the Audit, Risk and Compliance Committee, the Nomination, Remuneration and Governance Committee and the Investment Committee.

In addition to the responsibilities associated with being a Board member, Mr Delaney will be chairing the firm's Capital Advisory Group, which has an associated fee of $20,000, representing additional time commitments and responsibilities. Mr Schoenfeld will be serving as a member of various Fund investment committees (in addition to chairing the Investment Committee of Qualitas), which has an associated fee of $25,000, representing additional time commitments and responsibilities in relation to Fund investment committees.

Non Executive Directors may be reimbursed for all travel, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.

Non-Executive Directors may be paid such additional or special remuneration if they, at the request of the Board, perform any extra services or make special exertions outside the scope of the ordinary duties of a Director. Expense reimbursement fees, special exertion fees and the value of equity-based remuneration will not be included in the aggregate maximum amount paid to all Non-Executive Directors.

There are no retirement benefit schemes for Non Executive Directors, other than statutory superannuation contributions.

Table 6: Statutory remuneration of the non-executive Directors for 2022

Name	Fees $	Superannuation $	Share based payments $	Total remuneration [1] $
Andrew Fairley AM	138,250	–	125,000	263,250
Mary Ploughman	75,758	7,576	25,000	108,334
Michael Schoenfeld	90,909	9,091	175,000	275,000
JoAnne Stephenson	75,758	7,576	25,000	108,334
Brian Delaney	75,758	7,576	75,000	158,334

1 The amount of remuneration recognised in the profit and loss for the period 21 December 2021 to 30 June 2022 for the non-executives was as follows: Andrew Fairley AM $236,063; Mary Ploughman $91,946; Michael Schoenfeld $255,335; JoAnne Stephenson $91,946; Brian Delaney $141,946.

As outlined in the Prospectus, several of the Directors received Share Rights to compensate them for their contribution to Qualitas prior to listing. The value of these Share Rights is listed below.

Table 7: Share rights

Non-Executive Director [1]	Face value $
Andrew Fairley AM	125,000
Mary Ploughman	25,000
Michael Schoenfeld	175,000
JoAnne Stephenson	25,000
Brian Delaney	75,000

1 The share rights allocated under the Non-Executive Directors Equity Award vested as shares during the reporting period. These shares are subject to a disposal restriction until the second anniversary of the Company's listing date.

7. Employment agreements

Remuneration and other terms of employment for Executive KMP are formalised in employment agreements which outline their duties and remuneration. All employment agreement term lengths are open-ended (i.e., ongoing until notice is provided by either party).

In the case of termination of employment by the Company or by the Executive, the Company may:

» in lieu of part or all of the notice period, elect to pay to the Executive an amount equivalent to the Fixed Remuneration for that part or all of the period of notice not given or required to be served (and, if the Company does so, the Executive's employment terminates on the date the Company notifies the Executive of its election);

» require the Executive to perform only those Duties determined by the Company, or no Duties, during any notice period.

Table 8: Executive KMP employment agreements

	Fixed Remuneration (per annum) $	Notice period	
		By Employee	By Qualitas
Andrew Schwartz	1,000,000	6 months	6 months
Mark Fischer	600,000	6 months	6 months
Philip Dowman	360,000	3 months	3 months

Other than prescribed notice periods, there are no special termination benefits payable under the employment agreements of the Executive KMP.

Remuneration report (audited)

8. Statutory remuneration disclosures

Amounts of remuneration

The following table sets out the statutory disclosures in accordance with the Accounting Standards for the period 4 November 2021 to 30 June 2022 (noting Qualitas Limited was incorporated on 4 November 2021 and acquired the Qualitas operating entities on 21 December 2021). As a result of this the tables below capture Executive remuneration from 21 December 2021 onwards.

Remuneration for Executive KMP for FY22

Table 9: Executive KMP total remuneration

	Short-term benefits				Post-employment benefits	Long term employee benefits		Share based payments				
	Base Salary $	Cash bonus $	Non-monetary benefit [1] $	Annual leave $	Super-annuation $	Long service leave $	Fund participation rights $	Shares [2] $	Rights [2] $	Termin-ation benefit [1] $	Total $	Percen-tage of remun-eration perform-ance related %
Andrew Schwartz [3]	515,018	–	–	9,009	13,866	8,676	1,047,442	–	–	–	1,594,011	0.0%
Mark Fischer	307,583	433,850	–	32,162	11,784	34,162	545,625	69,447	–	–	1,434,613	35.1%
Philip Dowman	178,164	123,620	–	1,049	11,885	2,947	44,995	4,913	16,071	–	383,644	37.7%

1 There has been no non-monetary benefits or termination benefits paid for executive KMP for FY22.

2 Represents the amount recognised as an expense in the current year.

3 Andrew Schwartz was appointed as a Director from 4 November 2021. His total remuneration for the period 4 November 2021 to 30 June 2022 was $1,718,080.

KMP security holdings

The following table lists the KMP security holdings (including their related parties for the Reporting period).

Table 10: Security Holdings – Shares

				Held at 30 June 2022	
KMP	Holding at listing date [1]	Received as remuneration	Other net change	Personally (Directly held)	Nominally (Indirectly held)
Non-executive directors					
Andrew Fairley AM	200,000	–	57,400 [3]	50,000	207,400
Brian Delaney	25,000	–	30,000	30,000	25,000
JoAnne Stephenson	20,000	–	10,000	10,000	20,000
Mary Ploughman	20,000	–	10,000	30,000	–
Michael Schoenfeld	70,000	–	70,000	70,000	70,000
Executives					
Andrew Schwartz [2]	66,830,066	–	–	–	66,830,066
Philip Dowman	–	–	–	–	–
Mark Fischer [4]	7,770,927	–	–	–	7,770,927

1 As none of the KMP held securities between incorporation and listing, only the securities held at listing date have been reported.

2 Following completion, QPP Holdings (an entity controlled by Andrew Schwartz) held 66,830,066 Qualitas Shares. As outlined in the prospectus these shares are subject to a disposal restriction with 33.3% eligible for disposal following the release of FY22 results, 33.3% on 16 December 2023 and the final 33.3% on 16 December 2027.

3 7,400 were an on-market purchase.

4 A loan is attached to these shares of $440,352 which is the highest balance during the period (balance of $427,883 at beginning of the reporting period) and is required to be repaid at the earlier of October 2031 or pro rate upon disposal of the shares. As outlined in the prospectus these shares are subject to a disposal restriction with 33.3% eligible for disposal following the release of FY22 results, 33.3% on 16 December 2023 and the final 33.3% on 16 December 2027. The loan is subject to an interest rate of 4.52%. Interest of $12,469 was charged on the loan during the reporting period. The loan relates to a Qualitas employee share scheme whereby participants were issued shares under an employee loan share plan. The loans are full recourse and are not within the scope of AASB 2 Share-based payments. Interest is payable on the loans at market interest rates. No amounts have been written down or have an allowance for expected credit loss as the balance is considered fully recoverable.

Remuneration report (audited)

8. Statutory remuneration disclosures continued

Table 11: Security Holdings – Rights

KMP	Holding at listing date	Exercised/ vested	Received as remuneration	Held at 30 June 2022	
				Personally	Nominally
Non-executive directors [1]					
Andrew Fairley AM	50,000	50,000	–	–	–
Brian Delaney	30,000	30,000	–	–	–
JoAnne Stephenson	10,000	10,000	–	–	–
Mary Ploughman	10,000	10,000	–	–	–
Michael Schoenfeld	70,000	70,000	–	–	–
Executives					
Andrew Schwartz	–	–	–	–	–
Philip Dowman [2]	50,000	–	–	50,000	–
Mark Fischer	–	–	–	–	–

1 As outlined in the prospectus, Non-executive directors received Share Rights to compensate them for their contribution to Qualitas prior to listing. These were provided at no cost, at a nil exercise price and at a fair value of $2.50 per Share Right. These Share Rights converted to Shares in March 2022 and are subject to a disposal restriction until 16 December 2023.

2 Philip Dowman received Share Rights as part of the Employee Equity Award. These Share Rights had a fair value of $2.285 (Eligible to vest 16 December 2024) and $2.152 (Eligible to vest 16 December 2026). Further details about this award are at section 5.

Additional information

The factors that are considered to affect total shareholder return ('TSR') are summarised below:

Table 12: Factors impacting Group performance

	Security performance ($)			Earnings Performance ($)					Liquidity
Closing security price ($)	IPO Security price ($)	Distribution per security ($)	EPS (c)	Revenue ($m)	EBIT ($m)	NPAT ($m)	ROE (%)	Cash flow operations ($m)	Debt equity ratio
1.56	2.50	Nil	5.13	39.21	13.09	12.12	3.42	38.85	1.29

Other transactions with key management personnel

Apart from the details disclosed in this Report, no senior executive or non-executive director or their related parties have entered into a transaction with the Group since listing and there were no transactions involving those people's interests existing at year-end.

Remuneration consultants

The NRG Committee seeks advice from remuneration advisors from time to time in respect of market practice and other remuneration matters. Such information is used to inform decision making, and is not a substitute for detailed consideration and debate by the NRG Committee.

No remuneration recommendations were provided to the Group by external providers during the reporting period.

This concludes the remuneration report, which has been audited in accordance with section 308(3c) of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors:

Mary Ploughman
Chair of NRG Committee

18 August 2022

Andrew Fairley AM
Chairman

Lead auditor's independence declaration

KPMG

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 audit of Qualitas Limited for the financial period 4 November 2021 to 30 June 2022 there have been:

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

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

KPMG

KPMG

Rachel Milum

Rachel Milum
Partner

Sydney
18 August 2022

Consolidated statement of comprehensive income

For the year ended 30 June 2022

	Note	2022 $'000
Income		
Interest income	8	10,729
Interest expense	8	(7,062)
Net interest income		**3,667**
Performance fees	7a	13,758
Income from the provision of financial services	7b	20,765
Other income		1,883
Net gains/(losses) on financial instruments held at fair value through profit or loss		(859)
Total income from provision of financial services		**35,547**
Total revenue		**39,214**
Expenses		
Loan impairment (expense)/reversal		187
Employee costs		(16,568)
Marketing and sales commission expenses		(177)
Consulting and professional fees		(1,428)
Travel expenses		(149)
Depreciation and amortisation		(704)
Capital raising costs – QAL		(3,922)
Other operating expenses	9	(2,827)
Total operating expenses		**(25,588)**
Equity accounted projects result for the year	23	(94)
Profit before income tax		**13,532**
Income tax benefit/(expense)	10	(1,416)
Profit for the period		**12,116**
Other comprehensive income		–
Total comprehensive income for the period		**12,116**
Total comprehensive income attributable to:		
Owners of Qualitas Limited		12,116
Earnings per share for profit attributable to shareholders of the Group		
Basic earnings per share (cents)		5.13
Diluted earnings per share (cents)		5.08

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes on pages 53 to 83.

Consolidated statement of financial position

As at 30 June 2022

	Notes	2022 $'000
Assets		
Cash and cash equivalents	11	309,010
Trade and other receivables	12	15,452
Prepayments		960
Right-of-use assets	21	2,775
Property, plant and equipment	13	528
Deferred tax asset	10	9,490
Accrued performance fees		44,654
Inventories	14	24,114
Investments	15	32,134
Mortgage loans	17	369,368
Intangible asset – capitalised contract costs	16	4,279
Total assets		**812,764**
Liabilities		
Trade and other payables	18	11,511
Deferred income	19	6,336
Employee benefits	20	23,812
Lease liability	21	2,824
Loans and borrowings	22	413,713
Total liabilities		**458,196**
Net assets		**354,568**
Equity		
Issued capital	24	723,141
Retained earnings		12,116
Share based payments reserve		451
Common control reserve		(381,140)
Total equity		**354,568**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 53 to 83.

Consolidated statement of changes in equity

For the year ended 30 June 2022

	Issued capital $'000	Retained earnings $'000	Share-based payments reserve $'000	Common control reserve $'000	Total $'000
Balance at 4 November 2021	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the period					
Profit after tax for the period	–	12,116	–	–	12,116
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–
Transactions recorded directly in equity					
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)	18,860
IPO costs reflected directly through equity (net of tax)	(11,859)	–	–	–	(11,859)
Equity settled share-based payments	–	–	451	–	451
Balance at 30 June 2022	**723,141**	**12,116**	**451**	**(381,140)**	**354,568**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 53 to 83.

Consolidated statement of cash flows

For the year ended 30 June 2022

	Notes	4 November 2021 to 30 June 2022 $'000
Cash flows from operating activities		
Interest received		10,397
Interest paid		(7,101)
Receipts from provision of financial services and performance fees		26,135
Payments to suppliers, employees and others		(17,597)
Payment of IPO costs		(3,922)
Working capital funding		7,573
Payments in relation to projects		(260)
Tax paid received/(paid)		(4,614)
Mortgage loans advanced		(39,689)
Mortgage loans repaid		71,555
Investments acquired		(5,623)
Investments disposed		1,994
Net cash movement from operating activities	31	**38,848**
Cash flows from investing activities		
Payments for Property, plant and equipment		(332)
Cash of subsidiary entities on acquisition date		9,802
Net cash movement from investing activities		**9,470**
Cash flows from financing activities		
Payment of lease liabilities		(498)
Proceeds from loans and borrowings		15,394
Repayments of loans and borrowings		(60,038)
Payment of IPO costs		(11,859)
Repayment of Financier loan (capital)		(17,307)
IPO proceeds received		335,000
Net cash movement from financing activities		**260,692**
Net increase in cash and cash equivalents		309,010
Cash and cash equivalents at the beginning of the period		–
Cash and cash equivalents at the end of the period	11	**309,010**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 53 to 83.

Notes to the consolidated financial report

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 ASX on 16 December 2021 on a conditional and deferred basis and commenced trading on 22 December 2021.

The Company commenced operations on 22 December 2021.

2 Basis of preparation

This consolidated financial report as at and for the period 4 November 2021 to 30 June 2022 comprises the Company and its controlled entities (together referred to as the "**Group**"). The Group is a 'for profit' entity for the purpose of preparing this consolidated financial report. The Company was incorporated on 4 November 2021 and operations commenced on 22 December 2021.

a) Common control transaction

On 21 December 2021 the Company acquired all the shares in Qualitas Property Partners Pty Ltd and all the units in Qualitas Investments Unit Trust (and the shares in Qualitas Investments Pty Ltd, being the trustee of the Qualitas Investments Unit Trust).

Consideration of the transaction was by way of issuing 160 million shares at a total nominal value of $400 million to the existing shareholders and unitholders of Qualitas Property Partners Pty Ltd and Qualitas Investments Unit Trust.

The transaction occurred over entities under common control and all assets and liabilities were transferred at their book values in the accounts of the acquirer (being the Company), resulting in a common control reserve of $381,140,824 being recorded in the consolidated statement of changes in equity of the Group.

The results and the cash flows of Qualitas Property Partners Pty Ltd and Qualitas Investments Unit Trust for the period 21 December 2021 to 30 June 2022 are included in the consolidated financial report of the Company.

Balances acquired and transferred at book value on acquisition date are summarized below:

	$
Cash	9,802
Accrued performance fees	30,896
Investments	29,364
Inventories	23,860
Mortgage loans	401,233
Other	35,422
Total assets	**530,577**
Employee benefits	18,229
Loans and borrowings	458,357
Other	17,823
Financier Loan/capital payable	17,308
Total liabilities	**511,717**
Net assets	**18,860**

b) Statement of compliance

The consolidated general purpose financial report have been prepared in accordance with Australian Accounting Standards ("**AASBs**"), other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001* in Australia. The consolidated financial report comply with International Financial Reporting Standards (**IFRS**) adopted by the International Accounting Standards Board (**IASB**).

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 financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This consolidated financial report was authorised for issue by the Directors on 18 August 2022.

c) Basis of measurement

The consolidated financial report has been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value in the consolidated statement of financial position. The statement of financial position is presented on a liquidity basis.

d) Functional and presentation currency

This consolidated financial report is presented in Australian dollars, which is the functional currency of the Parent and majority of operating entities.

e) Use of estimates and judgements

The preparation of the consolidated financial report 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 (refer to Note 5(b));
- Revenue recognition (refer to Note 3(j) (ii));
- Equity-accounted investees (Refer to note 3(a)(ii)); and
- Financial asset disclosures (Refer to note 4)

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 (Refer to note 4);
- Recognition and measurement of deferred tax assets and liabilities (Refer to note 3(n));
- Credit risk relating to financial assets (Expected Credit Loss) (Refer to note 5(b)); and
- Revenue recognition (refer to Note 3(j)(ii))

Notes to the consolidated financial report

3 Significant accounting policies

a) Basis of consolidation

i) Common control transaction

As a result of the acquisition during the period, the Company is the ultimate parent of the Group and consolidates Qualitas Property Partners Pty Ltd, Qualitas Investments Unit Trust and their controlled entities. The shares of Qualitas Property Partners Pty Ltd and units of Qualitas Investments Unit Trust were transferred to the Company under common control resulting in the creation of the common control reserve.

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

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

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

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

iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial report from the date on which control commences until the date on which control ceases.

iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Cash and cash equivalents

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

c) Non-derivative financial instruments

i) Recognition and initial measurement

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

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

ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified and measured at amortised cost; FVOCI ("**Fair value through other comprehensive income**") – debt investment; FVOCI – equity investment; or FVTPL ("**Fair value through profit or loss**"). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortised cost

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

» It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

» Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVTPL ("Fair value through profit or loss")

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

Financial assets – Business model assessment

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

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

» how the performance of the portfolio is evaluated and reported to the Group's management;

» the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

» how managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

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

Notes to the consolidated financial report

3 Significant accounting policies continued

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

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

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

» contingent events that would change the amount or timing of cash flows;

» terms that may adjust the contractual coupon rate, including variable-rate features;

» prepayment and extension features; and

» terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse features).

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL

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

Financial assets at amortised cost

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

iii) Derecognition

Financial assets

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

Financial liabilities

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

iv) Offsetting

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

v) Issued capital

Ordinary shares

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

Dividends

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

d) Property, plant and equipment

i) Recognition and measurement

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

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

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

ii) Subsequent costs

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

iii) Depreciation

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

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

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

	2022
» Furniture, fixtures and fittings	2-8 years
» Computer equipment	2-4 years
» Computer software	2-4 years

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

Notes to the consolidated financial report

3 Significant accounting policies continued

e) Capitalised contract costs

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

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

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

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

f) Impairment

i) Non-derivative financial assets

Financial assets which are measured at amortised cost are assessed at each reporting date to determine whether there is an impairment.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

Specific provisions relate to loans that are currently known to be impaired, based on objective evidence as a result of one or more events that have occurred after the initial recognition of the asset, otherwise known as a loss event. For loans where a loss event has occurred, the provisioning process involves review and analysis of individual loans which are assessed for impairment based on security value, loan balance outstanding and other factors deemed relevant to collectability by the Group.

Provisions are raised where objective evidence of impairment exists and the negative impact on estimated future cash flows of the asset can be reliably estimated.

An expected credit loss ("**ECL**") applies to all financial assets, except for those measured at fair value through profit or loss, which are not subject to impairment assessment.

The Group measures an expected credit loss allowance at an amount equal to lifetime expected credit loss for non-loan financial assets.

For mortgage loans measured at amortised cost, expected credit loss allowances are measured on either of the following bases:

Stage 1: 12 Month ECL – Not Significantly Increased Credit Risk are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

Stage 2: Lifetime ECL – Significant Increase in Credit Risk (SICR) are the ECLs that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both probability weighted quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. Considerations include underlying security quality and whether the secured property is under construction, macro-economic business cycle factors and whether there is any loan subordination.

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

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

Presentation of allowance for ECL in the consolidated statement of financial position

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

Write-off

For credit impaired loans (stage 3) the gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This assessment is carried out at the individual asset basis.

ii) Non- financial assets

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

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

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

Impairment losses are recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

g) Inventories

Development projects

The asset includes the costs of acquisition, development, borrowings and all other costs directly related to specific projects, held for the purpose of resale. Borrowing and holding costs such as rates and taxes incurred after the completion of development and construction are expensed. The Group currently holds an investment in a land development recognised under AASB 2 that meets the definition of inventory and has been recorded at the lower of cost and net realisable value.

Notes to the consolidated financial report

3 Significant accounting policies continued

h) Employee benefits

i) Short-term benefits

Short-term employee benefit obligations are expensed as the related service is provided. Short-term benefits include salary and wages, annual leave and personal leave and are expected to be settled within 12 months of the reporting date.

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

ii) Other long-term employee benefits

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

iii) Share-based payments

The grant date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true up for differences between expected and actual outcomes.

Short Term Incentive Plan

The Board has determined that Qualitas' current remuneration policy for senior management and other selected employees of Qualitas will include a new STI plan (STI Plan).

Under the STI Plan, 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 discretion to reduce any STI 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 provides flexibility for the Group to grant options to acquire Shares, rights to acquire Shares and/or Shares as incentives (Awards), subject to the terms of individual offers.

Legacy Employee Equity Plan (Intergen)

Under a legacy employee equity plan (Legacy Employee Equity Plan), employees (and their controlled entities) were able to acquire a beneficial interest in non-ordinary shares in QPP and non-ordinary units in the Qualitas Investments Unit Trust via a limited recourse loan.

These shares and units were converted into Shares 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.

i) Provisions

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

j) Revenue

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

i) Income from the provision of financial services

Management fees

Management fees are based on net assets under management in the Group at the end of the month. Management fee income is recognised over time as the performance obligations are satisfied by the Group. Management fees are comprised of base management fees calculated either as percentage of committed Funds under management (**FUM**) or percentage of Invested FUM and transaction fees. In some instances, often single asset equity Funds, the Group may earn a management fee as a percentage of the gross asset value (**GAV**) of the underlying asset, rather than on Invested FUM.

Arrangement, establishment, mandate fees

Revenue from services rendered also consists of fees for transaction structuring, advisory services, commitment fees, arranger fees, mandate fees on the provision of loans. Revenue from services is recognised in profit or loss when the services are provided or on completion of the underlying transaction.

Distribution from fund co-investments

Distribution income from fund co-investments is recognised when the entitlement arises.

Portfolio and Ancillary fees

Revenue from portfolio and ancillary fees relate to early repayment and discharge related fees, which are recognised on discharge of the relevant loans. Consent and loan variation fees are also included, which are recognised when the relevant loan act occurs.

Other income

Other income consists principally of income earned on underwrites provided and other adhoc fees.

Notes to the consolidated financial report

3 Significant accounting policies continued

j) Revenue continued

ii) Performance fees

The Group is contractually entitled to performance fees for certain Funds where the rate of return to investors in a Fund exceeds a hurdle over the life of the investment. Performance fees generally relate to the Groups' close ended Funds.

Performance fee testing against the relevant hurdle is performed annually and performance fees are only accrued when actual fund performance is well in excess of the Hurdle return fund life to date.

Accrued performance fees are subsequently paid by Funds at the point when the underlying Fund is realised/closed.

iii) Distributions

The Group earns non fund management revenue in the form of distributions and changes in valuation from its direct investments, co investment activities and management of Private SMA. The Groups' investment into listed and/or unlisted fund structures earns a distribution yield and is recognised when received.

k) Leases

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

i) As a lessee

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

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

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

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

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

Short-term leases and leases of low value assets

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

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

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

l) Loans and borrowings

Loans and borrowings are recognised at cost.

m) Interest income and interest expense

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

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

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

Notes to the consolidated financial report

3 Significant accounting policies continued

n) Income tax

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

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

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be recognised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be recognised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised.

Tax consolidation

Qualitas and its wholly owned Australian resident subsidiaries are a tax consolidated group under Australian taxation law. As a consequence of being a tax-consolidated group, all members of this group are taxed as a single entity. The head entity in the tax consolidated group is Qualitas. The members of the tax consolidated group are identified at note 29.

o) Goods and services tax

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

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

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

p) New and revised standards and interpretations not yet adopted

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

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

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

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact for the current reporting period ending 30 June 2022. Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Notes to the consolidated financial report

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.

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 30 June 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-end 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 report 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 +/- $360k shift in the valuation of the asset. There were no transfers into or out of Level 3.

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.

Notes to the consolidated financial report

4 Fair value measurements continued

The table below sets out the Group's financial assets and liabilities measured at their carrying amount and fair value at 30 June 2022:

As at 30 June 2022	Carrying amount Fair value through profit or loss $'000	Fair value through OCI $'000	Financial assets/ (financial liabilities) at amortised cost $'000	Carrying amount $'000	Fair value Total $'000
Financial assets measured at fair value					
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
Financial assets not measured at fair value					
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	–	–	960	960	960
Financial liabilities not measured at fair value					
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 30 June 2022:

As at 30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value				
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
	8,594	**16,656**	**3,602**	**28,852**

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:

	$'000
Balance at 4 November 2021	**–**
Level 3 assets acquired	5,494
Loss included in 'finance costs'	
Net change in fair value (unrealised)	100
Additional net investment during the period	451
Capital returned during the period	(2,443)
Balance at 30 June 2022	**3,602**

Notes to the consolidated financial report

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 Goup risk appetite statement which is overseen by the Audit, Risk & 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 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 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.

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:

	30 June 2022 $'000
Cash and cash equivalents	309,010
Trade and other receivables	15,452
Mortgage loans	369,368
Investments measured at amortised cost:	
Qualitas Build to Rent Debt Fund	76
Other	165
Term deposits	404
Qualitas Construction Debt Fund	1,136
Prepayment	960
	696,571

Notes to the consolidated financial report

5 Financial risk management continued

b) Credit risk continued

The ageing of trade receivables and mortgage loans at reporting date is outlined below:

	30 June 2022 Gross amount $'000	Allowance for ECL $'000
Ageing of trade and other receivables		
Not past due	15,452	–
Ageing of Arch Finance Mortgage loans		
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) [1]	3,245	121

1 $2,800,000 of the balance is less than 60 days past due with the remaining balance more than 120 days past due.

The following table presents at 30 June 2022 an analysis of the mortgage loans.

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

The Group's accounting policy for credit impairment is outlined in Note 3(f).

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.

Notes to the consolidated financial report

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 not credit-impaired	Lifetime ECL credit impaired	Total
Balance at 4 November 2021	–	–	–	–
Allowance for expected credit loss acquired under common control	861	1	–	862
Net movement during the year	(188)	–	–	(188)
Balance at 30 June 2022	**673**	**1**	**–**	**674**

The following tables show the movement in the Group's impairment provisions and credit exposures by expected credit loss (ECL) stage for the year ended 30 June 2022.

	12 month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
$'000	Gross exposure	Provision	Gross exposure	Provision	Gross exposure	Provision	Gross exposure	Provision
Balance at 4 November 2021	–	–	–	–	–	–	–	–
Loans acquired under common control	398,939	861	40	1	–	–	398,979	862
New loans originated	39,689	–	–	–	–	–	39,689	–
Transfers								
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	–	–	–	–	–	–	–	–
Balance at 30 June 2022	**366,542**	**673**	**3,500**	**1**	**–**	**–**	**370,042**	**674**

The ECL allowance as a percentage of the gross carrying amounts of the mortgage loans at 30 June 2022 is split as follows:

$'000	Current	Stage1	Stage 2	Stage 3	Total
Expected loss rate	0.18%	0.03%	0.00%	0.00%	0.21%
Gross carrying amount	366,542	3,500	–	–	370,042
Loss allowance	(673)	(1)	–	–	(674)

c) Market risk

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

i) Price risk

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

The Group is exposed to price risk through its co-investments in Qualitas funds and other equity investments.

Prices are monitored by the Group through its investment management processes of the relevant Qualitas funds. For other equity investments, prices are monitored through regular reporting from the equity project manager.

Sensitivity analysis – price risk

At 30 June 2022, it is estimated that a 10% decrease in equity prices would decrease the Group's profit before income tax by approximately $2,885,236 and would decrease equity by approximately $2,019,665. A 10% increase in equity prices would have an equal but opposite effect.

ii) Currency risk

Currency risk arises as the income and value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. As at 30 June 2022, the Group did not hold any significant assets or liabilities denominated in currencies other than the Australian Dollar and therefore was not exposed to any significant foreign exchange risk.

Notes to the consolidated financial report

5 Financial risk management continued

c) Market risk continued

iii) Interest rate risk

Interest rate risk is the risk that a financial asset's value will fluctuate as a result of changes in market interest rates. The Group invests and borrows at both floating and fixed rates. Floating rate loans means that income will be impacted by the underlying base rate rises and falls and therefore the relative attractiveness to other instruments may change. There is a strong correlation between the RBA Cash Rate and the base rates upon which floating rate loans are priced. Absolute returns on floating rate loans therefore rise and fall largely in correlation with the RBA Cash Rate.

The table below summarises the Group's exposure to interest rates risks as at 30 June 2022, including the Group's assets and liabilities at fair values.

	Average effective interest rate %	Carrying amount $'000
30 June 2022		
Fixed rate instruments		
Qualitas Real Estate Income Fund manager loan	5.00	15,830
Variable rate instruments		
Cash and cash equivalents	0.92	183,824
Mortgage loans	4.83	369,368
Interest bearing notes	2.91	(375,923)
Project funding loans	3.75	(21,960)

iii) Sensitivity analysis – interest rate risk

At 30 June 2022, it is estimated that a general increase of one-percentage point in interest rates on variable rate instruments would increase the Group's profit before income tax by approximately $1,553,091 and would increase equity by approximately $1,087,163.

A general decrease of one-percentage point in interest rates on variable rate instruments would have an equal but opposite effect.

d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group monitors its cash flow requirements and undertakes cash flow forecasts. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

The following table shows the contractual maturities of financial assets and liabilities as at 30 June 2022:

As at 30 June 2022	Carrying amount $'000	Contractual cashflow $'000	Less than 3 months $'000	3 to 12 month $'000	1 to 3 years $'000	3 to 5 years $'000
Financial assets						
Cash and cash equivalents	3,090	3,090	3,090	–	–	–
Trade and other receivables	15,452	15,452	–	14,443	–	1,009
Prepayments	960	960	–	960	–	–
Accrued performance fees	44,654	44,654	–	24,032	20,622	–
Inventories	24,114	24,114	–	–	24,114	–
Investments	32,134	32,134	–	3,565	17,276	11,293
Mortgage loans	369,368	399,278	68,097	68,564	262,617	–
Capitalised Contract costs	4,279	4,279	168	499	2,003	1,609
Financial liabilities						
Trade and other payables	(11,511)	(11,511)	(944)	(10,567)	–	–
Lease liabilities	(2,824)	(2,824)	(180)	(555)	(1,858)	(231)
Loans and borrowings	(413,713)	(438,122)	(69,354)	(69,994)	(287,688)	(11,086)
	66,003	71,504	877	30,947	37,086	2,594

Notes to the consolidated financial report

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 period 4 November 2021 to 30 June 2022 ($'000)	Funds management	Direct lending	Total
Interest income	744	9,985	10,729
Interest expense	(897)	(6,165)	(7,062)
Net interest income	**(153)**	**3,820**	**3,667**
Net revenue	34,366	1,087	35,453
Depreciation and amortisation	(663)	(41)	(704)
Loan impairment expense	—	187	187
Total expenses	(21,756)	(3,315)	(25,071)
Segment profit	**11,794**	**1,738**	**13,532**

Segment financial position information

As at 30 June 2022 ($'000)	Funds 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
Total assets reported by the Group	**422,730**	**390,034**	**812,764**
Loans and borrowings	36,672	379,864	416,536
Other liabilities	34,088	7,572	41,660
Total liabilities reported by the Group	**70,760**	**387,436**	**458,196**

Major customer

Three customers of the Group represented approximately $18,721,935 of the Group's total revenue comprising base management, arranger and performance fees of $9,554,912 from the Qualitas Food Infrastructure Fund, $4,883,071 from the Qualitas Real Estate Income Fund and $4,283,951 from the Qualitas Real Estate Opportunity Fund I.

Notes to the consolidated financial report

7 Income from the provision of financial services and performance fees

a) Performance Fees

	For the period 4 November 2021 to 30 June 2022 $'000
Performance fees	13,758

Performance fees are variable consideration and are recognised to the extent that it is highly improbable a significant reversal will 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 the fund has recognised a performance fee expense and either the fund is nearing the final stages of its investment life cycle and termination or there is limited sensitivity to valuation changes. Performance fee income is generally constrained up to the point when the final amount to be paid out of the fund is known. Of the balance accrued on the balance sheet of $44,653,647, the balance acquired on 4 November 2021 was $30,895,748.

Performance fees for the period 4 November 2021 to 30 June 2022 relate to Qualitas Real Estate Opportunity Fund I, Qualitas Construction Debt Fund I, Qualitas Food Infrastructure Fund, Qualitas Mezzanine Debt Fund and other co-investment projects. Of the $13,757,900 performance fees recognised during the period, an amount of $310,310 was received during the year with the balance not yet received and has been recorded on the consolidated statement of financial position as accrued performance fees.

b) Income from the provision of financial services

	For the period 4 November 2021 to 30 June 2022 $'000
Arrangement, establishment and mandate fees	5,739
Management fees	13,965
Distributions from funds and projects	484
Portfolio and ancillary fees	577
	20,765

8 Interest income and interest expense

	For the period 4 November 2021 to 30 June 2022 $'000
Interest income	
Interest income on mortgages, bank balances and term deposits:	
Arch Finance – mortgage loans	9,961
Qualitas Limited	768
Total interest income	**10,729**
Interest expense	
Interest expense on interest bearing notes – bank & other financial institutions	(7,018)
Lease interest expense	(44)
Total interest expense	**(7,062)**
Net interest income recognised in profit or loss	**3,667**

Notes to the consolidated financial report

9 Other expenses

	For the period 4 November 2021 to 30 June 2022 $'000
Insurance	884
Arch Financing costs	853
Information technology	251
Subscriptions	227
Rental expenses	170
Company administration fees	124
Other miscellaneous costs	318
	2,827

10 Income tax

a) Reconciliation of income tax expense

Recognised in the consolidated statement of profit or loss and other comprehensive income	For the period 4 November 2021 to 30 June 2022 $'000
Current period	4,609
Deferred tax (benefit)/expense	
Origination and reversal of temporary differences	(3,193)
	1,416
Reconciliation between tax expense and profit	
Profit before income tax	13,532
Income tax using domestic corporation tax rate of 30%	4,059
Net movement in income tax due to:	
Tax cost base remeasurement due to IPO	(2,480)
Non-assessable income	(114)
Utilisation of prior year tax losses not previously recognised	(49)
Prior year adjustments	–
Income tax (benefit)/expense on profit/(loss)	1,416

Franking account

The amount of franking credits available to the Shareholders for subsequent financial years is $9,481,939. The ability to utilise the franking credits is dependent upon the ability to declare dividends.

b) Movement of deferred tax

				Balance at 30 June 2022 $'000		
30 June 2022	**Balance at acquired on 4 Nov 2021 $'000**	**Recognised in profit or loss $'000**	**Recognised directly in equity $'000**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Investments	(4)	257	–	253	253	–
Accrued performance fees	2,464	5,474	–	7,938	7,938	–
Capitalised contract costs	(95)	(105)	–	(200)	–	(200)
QAL – capital raising costs	–	1,416	(757)	659	659	–
Employee benefits	1,233	(787)	–	446	446	–
Other items	3,456	(3,062)	–	394	394	–
Tax assets/(liabilities) before set off	**7,054**	**3,193**	**(757)**	**9,490**	**9,690**	**(200)**
Set off	–	–	–	–	(200)	200
Net tax assets/(liabilities)	**7,054**	**3,193**	**(757)**	**9,490**	**9,490**	**–**

Notes to the consolidated financial report

11 Cash and cash equivalents

	As at 30 June 2022 $'000
Cash on hand	1
Cash at bank	309,009
Cash and cash equivalents	309,010

12 Trade and other receivables

	As at 30 June 2022 $'000
Trade receivables	4,943
Accrued income	3,927
Recoverable fund costs	808
Digital Harbor receivable	2,443
Underwrites receivable	1,361
Sundry receivables	1,970
	15,452

The above comprises a current balance of $12,617 and non-current balance of $2,835.

13 Property, plant and equipment

	Office equipment $'000
Cost	
Balance at 4 November 2021	–
Acquired during the period	2,153
Disposals	–
Balance at 30 June 2022	**2,153**
Accumulated depreciation	
Balance at 4 November 2021	–
Acquired during the period	1,536
Depreciation charge for the period	89
Disposals	–
Balance at 30 June 2022	**1,625**
Carrying amount	
At 4 November 2021	–
At 30 June 2022	**528**

Notes to the consolidated financial report

14 Inventories

	As at 30 June 2022 $'000
Development and capitalized project costs	24,114
	24,114

The above comprises a current balance of $nil and non-current balance of $24,114

15 Investments

	As at 30 June 2022 $'000
Investments measured at amortised cost:	
Term deposits	404
Qualitas Construction Debt Fund	1,136
Co-Investments into loans held by Qualitas funds	241
Build to Rent Equity Joint Venture	1,501
Investments measured at fair value through profit or loss:	
Digital Harbor Investments	3,602
Qualitas Real Estate Opportunity Fund I	3,420
Qualitas Real Estate Opportunity Fund II	6,802
Qualitas Food Infrastructure Fund	2,175
Qualitas Real Estate Income Fund	8,594
Qualitas Seniors Housing Fund	1,560
Qualitas US Office Fund	2,699
	32,134

The above comprises a current balance of $3,824 and non-current balance of $28,310.

16 Intangible asset – Capitalised contract costs

	As at 30 June 2022 $'000
Opening net book amount at 4 November 2021	–
Acquired during the period	4,630
Amortisation charge	(351)
Closing net book amount at 30 June 2022	**4,279**

The above comprises a current balance of $667 and non-current balance of $3,612.

Notes to the consolidated financial report

17 Mortgage Loans

	At 30 June 2022 $'000
Gross mortgage loans – held directly	370,042
Allowance for expected credit losses	(674)
Total mortgage loans – net of allowance for expected credit losses	**369,368**
Maturity analysis:	
No longer than three months	67,165
Longer than three months but no longer than twelve months	65,824
Longer than one year but no longer than three years	236,379
Total mortgage loans	**369,368**
Allowance for expected credit losses – 4 November	(1,220)
Decrease/(Increase) in allowance during the year	546
Allowance for expected credit losses – 30 June	**(674)**

	12-month ECL applied $'000	Lifetime ECL applied $'000	Total $'000
As at 30 June 2022			
Gross mortgage loans			
Gross mortgage loans balance	361,797	8,245	370,042
Allowance for expected credit loss	(306)	(368)	(674)
Total	**361,491**	**7,877**	**369,368**

As at 30 June 2022, there are two Arch Finance loans with a combined value of $3,287,401 that are greater than 30 days in arrears (significant increased credit risk since initial recognition).

The first loan with a value of $2,758,000 is less than 60 days past due and has an expected credit loss allowance of $103,080. The loan balance is considered recoverable to the extent of the expected credit loss recognised.

The second loan has a value of $487,401 and is more than 120 days past due with an expected credit loss allowance of $18,217. The loan balance is considered recoverable to the extent of the expected credit loss recognized.

Mortgage loans – Geographical diversification

	At 30 June 2022 $'000
Victoria	101,693
New South Wales	197,333
Queensland	51,323
South Australia	4,572
Others	14,447
	369,368

Mortgage loans – Loan to value ratios

	At 30 June 2022 $'000
0-30%	16,008
30-50%	68,489
50-70%	261,343
70-80%	23,528
80-100%	–
	369,368

Notes to the consolidated financial report

18 Trade and other payables

	At 30 June 2022 $'000
Trade payables	247
Sundry payables	1,106
Interest payable on Notes – Arch Finance	1,241
Taxes payable	8,220
GST payable	697
	11,511

The above comprises a current balance of $11,511 and non-current balance of $nil.

19 Deferred income

	As at 30 June 2022 $'000
Prepaid interest – Arch Finance	92
Prepaid management fees	1,314
Interest reserve	4,190
Deferred arranger fees	740
	6,336

The above comprises a current balance of $2,146 and non-current balance of $4,190.

20 Employee benefits

	As at 30 June 2022 $'000
Salaries, wages and bonuses accrued	20,869
Liability for annual leave	1,762
Liability for long-service leave	1,181
	23,812

The above comprises a current balance of $17,145 and non-current balance of $6,667.

Accrued bonuses include amounts accrued in relation to performance fee bonuses payable to employees of the Group.

The present value of employee benefits not expected to be settled within twelve months of balance date have been calculated using the following inputs or assumptions at the reporting date:

Assumed rate of increase in wages/salaries	3.85%
Discount rate	3.38%
Settlement term	7 years

Notes to the consolidated financial report

21 Leases

The Group has entered into commercial property leases for its office accommodation. These leases have a remaining life of up to 4 years. The Group has no other capital or lease commitments.

	As at 30 June 2022 $'000
Right of use assets	
Balance at 4 November 2021	–
Acquired during the period	3,039
Depreciation charge for the period	(264)
Additions to right-of-use assets	–
Balance at 30 June 2022	**2,775**

The above comprises a current balance of $801 and non-current balance of $1,974.

	As at 30 June 2022 $'000
Lease liabilities	
Balance at 4 November 2021	–
Acquired during the period	3,278
Interest on lease liabilities during the period	44
Additions to lease liabilities	–
Rent payments	(498)
Balance at 30 June 2022	**2,824**

The above comprises a current balance of $735 and non-current balance of $2,089.

	As at 30 June 2022 $'000
Maturity analysis:	
Within one year	735
Later than one year but no later than five years	2,089
Later than five years	
	2,824

	As at 30 June 2022 $'000
Amounts recognised in profit or loss	
Depreciation on right-of-use assets	264
Interest expense on lease liabilities	44
Expenses relating to short-term leases	**308**

	As at 30 June 2022 $'000
Amounts recognised in statement of cash flow	
Total cash outflows for leases	498
	498

Notes to the consolidated financial report

22 Loans and borrowings

	As at 30 June 2022 $'000
Interest bearing notes – banks & other financial institutions	375,923
Project Funding loans	21,960
Qualitas Real Estate Income Fund manager loan	15,830
	413,713

The above comprises a current balance of $136,715 and non-current balance of $276,998.

At 30 June 2022, the Interest bearing notes collectively have an effective limit available for drawing of $400,000,000 (2021: $480,851,063) and are issued as agreed by the Class A Subscriber, Class B Subscribers, Class C Subscribers and the Arch Finance Warehouse Trust. The proceeds of Class A, B and C notes issued are advanced as mortgage loans with a term not exceeding three years and are secured by registered first mortgages over real property. Interest is charged at BBSY plus a margin.

The Classes A and B notes are repayable on the repayment of the mortgage loans which have a maximum term of three years. The availability period for the Class A, Class B and Class C notes was extended on 30 June 2022 until 30 September 2023.

The rate of interest applicable to the noteholders as at 30 June 2022 are as follows:

Class A	– BBSY plus a margin of 1.65% per annum	(2021: 1.53%)
Class B-1b	– BBSY plus a margin of 4.2% per annum	(2021: 4%)
Class B-TPT	– BBSY plus a margin of 4.2% per annum	(2021: 4%)
Class C-1	– BBSY plus a margin of 6.3% per annum	(2021: 6.3%)
Class C-1b	– BBSY plus a margin of 9.7% per annum	(2021: 9.7%)
Class C-2	– BBSY plus a margin of 11.75% per annum	(2021: 11.75%)

The Classes A and B notes are repayable on the repayment of the mortgage loans which have a maximum term of three years. The availability period for the Class A, Class B and Class C notes was extended on 30 June 2022 until 30 September 2023.

The residual income unitholder is entitled to any residual profits generated from the operations of the Trust.

The borrowing notes have prescribed lending criteria which includes geographical diversity and maximum LVR requirements.

The Qualitas Real Estate Income Fund manager loan is amortised over 10 years from the date of the most recent raise. Interest on the loan is 5%.

The loan with an external loan provider in relation to the development property held through Inventories has a facility limit of $11.7m and LTV covenant of 65%. Repayment date of the loan is 15 March 2023 but will be extended for a further two years. This loan is valued at $10.5m as at 30 June 2022.

Notes to the consolidated financial report

23 Equity-accounted investees

The Group entered into a joint venture arrangement during the current reporting period, with the joint venture obtaining control over four initial assets as at 30 June 2022. The Group has joint control and a 50% ownership interest. The joint venture is a strategic partnership to establish a build-to-rent platform, targeting $5 billion over the next 5-7 years.

	As at 30 June 2022 $'000
Interest in joint venture	1,501
	1,501

Joint venture

	As at 30 June 2022 $'000
Percentage ownership interest	**50%**
Non-current assets	3,458
Current assets (including cash and cash equivalents)	262
Non-current liabilities (Including non-current financial liabilities excluding Trade and other payables and provisions)	–
Current liabilities (including current financial liabilities excluding trade and other payables and provisions)	(718)
Net assets (100%)	**3,002**
Group's share of net assets (50%)	1,501
Goodwill	–
Carrying amount of interest in joint venture	**1,501**
Revenue	940
Depreciation and amortisation	(35)
Interest expense	–
Income tax expense	–
Other expenses	(1,094)
Profit and other comprehensive income (100%)	**(189)**
Profit and other comprehensive income (50%)	**(94)**
Group's share of total comprehensive income	**(94)**
Dividends received by the Group	**–**

Notes to the consolidated financial report

24 Capital, reserves and dividends

a) Issued capital

	As at 30 June 2022	
	$'000	Number of ordinary shares
Opening balance	–	–
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)	–
In issue at 30 June 2022 – fully paid	**723,141**	**294,000,000**

The Company does not have a par value in the rest of its shares.

All ordinary shares rank equally with regard to the Company's residual assets. Holders of these share are entitled to one vote per share at the general meetings of the Company.

b) Dividends

On August 18 2022, the Directors declared a fully franked distribution of 4 cents per share which amounted to $11,760,000 to be paid on September 8 2022.

c) 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.

25 Earnings per share

a) Basic earnings per share

The calculation of the basic EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	As at 30 June 2022 $'000
i) Profit/(loss) attributable to ordinary shareholders (basic)	
Profit/(loss) for the period attributable to the owners of the Company	**12,116**

	As at 30 June 2022 $'000
ii) Weighted-average number of ordinary shares (basic)	
Weighted-average number of ordinary shares at 30 June	**236,184**

b) Diluted earnings per share

The calculation of the diluted EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential of ordinary shares.

	As at 30 June 2022 $'000
i) Profit/(loss) attributable to ordinary shareholders (diluted)	
Profit/(loss) for the period attributable to the owners of the Company	**12,116**

	As at 30 June 2022 $'000
ii) Weighted-average number of ordinary shares (diluted)	
Weighted-average number of ordinary shares at 30 June	**238,588**

Notes to the consolidated financial report

26 Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The Group's net debt to adjusted equity ratio at 30 June 2022 was as follows:

	As at 30 June 2022 $'000
Total liabilities	458,196
Less: cash and cash equivalents	(309,010)
Net debt	**149,186**
Total equity	354,568
Less: Share based payments reserve	(451)
Adjusted equity	**354,177**
Net debt to adjusted equity ratio	**0.42**

27 Share based payment

a) Description of share-based payment arrangement

At 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 new 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 discretion to reduce any FY22 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:

Grant date/employees entitled	Number of awards [1]	Vesting conditions	Contractual life of awards
Key Management Personnel – 30 June 2022	229,147	Per above	2 years
All other employees– 30 June 2022	375,340	Per above	2 years

1 No awards were forfeited during the 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 $200,000 was forfeited during the year. 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**).

Grant date/employees entitled	Number of awards [1]	Vesting conditions	Contractual life of awards
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

1 800,000 awards were granted during the period with 80,000 awards forfeited during the period, resulting in a closing balance of 720,000.

Notes to the consolidated financial report

27 Share based payment 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 was forfeited 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.

Grant date/employees entitled	Number of awards [2]	Vesting conditions	Contractual life of awards
Key Management Personnel – 24 September 2021[1]	–	–	–
All other employees – 24 September 2021[1]	2,181,772	Per above	3 & 5 years

1 Legacy award

2 3,011,352 shares were granted during the period with 829,580 forfeited and transferred to a share trust account, resulting in a closing balance of 2,181,772.

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 the period is nil.

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 save 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 saving 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.

	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[1]	$2.28 & $2.15[1]	n/a	$0.013 & $0.017[1]
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%

1 Reflects fair value for 3 & 5 year service periods

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.

ii) Expense recognised in the profit or loss

The share based payment expense incurred in the period was $439,609.

Notes to the consolidated financial report

28 Related parties

a) Key management personnel compensation

The following were key management personnel of the Company at any time during the reporting period:

Andrew Fairley AM	Non-Executive Chairman	Appointed 4 November 2021
Brian Delaney	Non-Executive Director	Appointed 4 November 2021
JoAnne Stephenson	Non-Executive Director	Appointed 4 November 2021
Mary Ploughman	Non-Executive Director	Appointed 4 November 2021
Michael Schoenfeld	Non-Executive Director	Appointed 4 November 2021
Andrew Schwartz	Group Managing Director and Chief Investment Officer	Appointed 4 November 2021
Philip Dowman	Chief Financial Officer	Appointed 16 December 2021
Mark Fischer	Global Head of Real Estate	Appointed 16 December 2021

The key management personnel compensation comprised:

	For the periodended 30 June 2022 $'000
Short-term employee benefits	2,057
Other long-term benefits	1,684
Termination benefits	–
Shared based payments	515
Post-employment benefits	69
	4,325

b) Loans to key management personnel and their related parties

Details regarding loans outstanding at the reporting date to key management personnel and their related parties at any time in the reporting period, are as follows:

	2022 $'000
Total for key management personnel at 4 November 2021	428
Interest paid/payable during the period	13
Total for key management personnel at 30 June 2022	**441**

The loan to key management personnel relates to a Qualitas employee share scheme whereby participants were issued shares under an employee loan share plan. The loans are full recourse and are not within the scope of AASB 2 Share-based payments. Interest is payable on the loans at market interest rates. No amounts have been written down or have an allowance for expected credit loss as the balance is considered fully recoverable. The highest balance during the year was $440,352.

c) Other key management personnel transactions

There are no other transactions with key management persons or their related parties other than those that have been disclosed in this report.

d) Ultimate parent

The Ultimate parent of the group is Qualitas Limited.

Notes to the consolidated financial report

29 Group Entities

At the reporting date, the Qualitas Group includes the following entities:

Controlled entities

Qualitas Investments Pty Ltd atf Qualitas Investment Unit trust
Treasury Finance Pty Ltd atf Treasury Finance Unit Trust
Arch Finance Pty Ltd atf Arch Finance Unit Trust
Arch Finance Warehouse Trust
Arch Finance Holdings Pty Ltd
QEP DHH Investor B Pty Ltd atf QEP DHH Investor B Unit Trust
QFM Hold Co Pty Ltd
Qualitas Funds Management Pty Ltd
Qualitas REO Fund Manager Pty Ltd
QREO Fund Manager II Pty Ltd
QREO Nominee Pty Ltd
QREO Fixed Pty Ltd
QREO Fixed A Pty Ltd
QREO Growth Pty Ltd
QREO Growth A Pty Ltd
QREO Growth A II Pty Ltd
QREO Fixed A II Pty Ltd
Peer Estate Administrators Pty Ltd
Peer Estate Pty Ltd
Peer Estate Investor Pty Ltd
Peer Estate IP Pty Ltd
Peer Estate Finance Pty Ltd
Peer Estate Mortgages Pty Ltd
Peer Estate Pool Pty Ltd
QCD Fund Manager Pty Ltd
QCD Fund Pty Ltd
QSD Fund Feeders Pty Ltd
QCRF Runaway Bay Pty Ltd (previously QSD Fund Manager Pty Ltd)
QSD Fund Pty Ltd
Qualitas Discretionary Funds Management Pty Ltd
QFI Fund Manager Pty Ltd
QFI Fund Pty Ltd
QFI Property Fund Pty Ltd
QUMF No.1 Pty Ltd
QRI Manager Pty Ltd
QRI Fund Services Pty Ltd
QUMF Fund Manager Pty Ltd
QMD Fund Manager Pty Ltd
QLDF Manager Pty Ltd
QSH No.1 Manager Pty Ltd
Qualitas BTR Impact Fund Pty Ltd
QMD Fund Pty Ltd
QUMF Property No. 1 Pty Ltd
Qualitas Administrators (NZ) Pty Ltd
Qualitas Property Partners Pty Ltd
3 Carrington Road Pty Ltd

Controlled entities

3 Carrington Road Unit Trust
Hollywood Apartments Pty Ltd
QEP Bondi Junction Investor Pty Ltd
QEP Bondi Junction Investor Unit Trust
QEP Bondi Junction Manager Pty Ltd
QEP Bondi Junction Pty Ltd
QEP Bondi Junction Unit Trust*
QEP Bondi Junction Unit Trust No. 2*
QEP DHH Pty Ltd
QEP DHH Unit Trust
QEP First Mortgage Enhancement Pty Ltd
QEP First Mortgage Enhancement Unit Trust
QEP Marrickville No.2 Pty Ltd
QEP Marrickville Pty Ltd
QEP Marrickville Unit Trust
QEP Marrickville Unit Trust No. 2
QEP Spire Apartments Financier Pty Ltd
QEP Spire Apartments Investor Pty Ltd
QEP Spire Apartments Investor Unit Trust
QEP Spire Apartments Manager Pty Ltd
QEP Spire Apartments Pty Ltd
QEP Spire Apartments Unit Trust*
QPP Pagewood Pty Ltd
QREF Senior Debt No.17 Pty Ltd
QREF Senior Debt No.19 Pty Ltd
QREF Mezzanine Debt No.20 Pty Ltd
QREF Senior Debt No.23 Pty Ltd
QREF Senior Debt No.25 Pty Ltd
QREF Mezzanine Debt No.26 Pty Ltd
QREF Senior Debt No.27 Pty Ltd
QREF Debt No. 28 Pty Ltd (QLA Manager Pty Ltd repurposed)
QREF Senior Debt No.29 Pty Ltd
QREF Senior Debt No.30 Pty Ltd
QREF Senior Debt No.31 Pty Ltd
Qualitas Administrators Pty Ltd
Qualitas Advisory Pty Ltd
Qualitas CDF investor Pty Ltd
Qualitas Equity Partners Pty Ltd
Qualitas Equity Partners Unit Trust
Qualitas Management Services Pty Ltd
Qualitas Property Partners Pty Ltd
Qualitas Real Estate Finance Pty Ltd
Qualitas Real Estate Finance Trust
Qualitas REIT Partners Pty Ltd
Qualitas REIT Partners Unit Trust
Qualitas Securities Pty Ltd

1 These entities were wound up during the year

Notes to the consolidated financial report

29 Group Entities continued

Controlled entities

QPP Pagewood Finance Pty Ltd
QUSOF Investor Pty Ltd
QUSOF Investor II Pty Ltd
QUSOF Bridge Pty Ltd
Qualitas Bridge Pty Ltd (repurposed from QREOF II Bridge Pty Ltd)
QCRF III Runaway Bay Pty Ltd (repurposed from QREOF II Investor Pty Ltd)
Qualitas Fund Holdings Pty Ltd
Qualitas Seniors Housing No.1 Pty Ltd
Qualitas Seniors Housing Property No.1 Pty Ltd
QREO Australian Feeder Pty Ltd
QAMF Wellington Pty Ltd
QCAB Overflow Pty Ltd
QCD Fund No.2 Pty Ltd
QEP Development Services (Bondi) Pty Ltd
QSH No.1 Burniside Pty Ltd
QSH NO.1 Keilor Pty Ltd
QSH NO.1 Taylors Hill Pty Ltd
Qualitas Australia Multifamily Property Fund Pty Ltd

Controlled entities

QUMF Borrower Pty Ltd
QUMF Bridge Pty Ltd
QPagewood Pty Ltd
QPagewood Finance Pty Ltd
QLDF Pty Ltd
QREO Holding II Pty Ltd
QREO II Financier Pty Ltd
Q Queens Parade Pty Ltd
Q City Road Pty Ltd
Q Beach House Developer Pty Ltd
Q Beach House Nominee Pty Ltd
Q Hassall Street Developer Pty Ltd
Q Hassall Street Nominee Pty Ltd
Q City Road Developer Pty Ltd
Q Queens Parade Developer Pty Ltd
Qualitas Co-Investments Pty Ltd

1 These entities were wound up during the year

Notes to the consolidated financial report

30 Parent entity disclosures

As at, and throughout, the financial period ended 30 June 2022 the parent entity of the Group was Qualitas Limited.

Results of the parent entity

	Period ended 30 June 2022 $'000
Profit/(loss) for the period	44,013
Other comprehensive income	–
Total comprehensive income for the period	**44,013**

Financial position of parent entity at year end

	At 30 June 2022 $'000
Current assets	279,511
Total assets	**366,404**
Current liabilities	6
Total liabilities	**6**
Net assets	**366,398**
Total equity of the parent entity comprising of:	
Share capital	322,385
Retained earnings	44,013
Total equity	**366,398**

Parent entity contingent liabilities

The Directors are of the opinion that there are no contingent liabilities, as it is not probable that a future sacrifice of economic benefits will be required, or the amount is not capable of reliable measurement.

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

	Period ended 30 June 2022 $'000
Profit/(loss) for the period	12,116
Adjustments for:	
Depreciation	317
Employee share based payments	451
Changes in:	
Trade and other receivables	(22,227)
Inventories	(260)
Prepayments	(834)
Intangibles – capitalised contract costs	387
Trade and other payables	299
Deferred tax assets	(7,343)
Deferred income	2,591
Employee benefits	11,131
Tax payables	4,146
Investment loans – classified as operating activity	38,074
Net cash inflow/(outflow) from operating activities	**38,848**

a) Components of cash and cash equivalents

Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

Cash and cash equivalents	309,010

Notes to the consolidated financial report

32 Auditors' remuneration

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

	For the period ended 30 June 2022 $'000
Audit and review services	
Auditors of the Group – KPMG	
Audit and review of financial report	224
Other regulatory services	44
Total remuneration for audit and review services	**268**
Other services	
Auditors of the Group – KPMG	
Tax services	93
Advisory services	1,338
Other services	–
Total remuneration for other services	**1,431**
Total auditors' remuneration	**1,699**

33 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 30 June 2022, and has not been provided for, is not expected to affect its financial position in any material way, either individually or in aggregate.

34 Events occurring after the reporting period

Post 30 June 2022, Abu Dhabi Investment Authority (ADIA) has chosen Qualitas for a mandate to invest A$700m on their behalf into Australian commercial real estate (CRE) private credit opportunities. The mandate will be carried out through the newly created Qualitas Diversified Credit Investments (QDCI), which will have a wide investment scope with a focus on the growing Australian CRE private credit market and senior credit strategies. The term of the mandate is 7 years, plus a 1-year extension option, with a 5-year investment period. Qualitas is co-investing 5% (A$35m) in the QDCI which is consistent with the objectives of the capital raised in our IPO. The mandate increases total committed funds under management (FUM) to circa A$5 billion focused on CRE credit (74% of FUM) and equity (26% of FUM) opportunities. Additionally, Qualitas has granted options to ADIA under which ADIA may acquire up to 32,630,374 new ordinary shares in Qualitas, conditional on further investment mandates from ADIA of up to $1 billion in the next 2 years with the Group [1], representing up to 9.99% [2] of current issued equity on a fully diluted basis. The exercise price of each option is the VWAP [3] (per share) of shares issued since the IPO of Qualitas. This price is agreed to be A$2.50 subject to future issuances of Qualitas shares. The expiry date of the options is 1 August 2024, extendable by a further 6 months where the allocation of ADIA's capital under the mandate does not exceed A$560 million by the date that is 18 months after the issue date of the options.

Additionally, subsequent to year end, on August 18 2022, the Directors declared a distribution of 4 cents per share which amounted to $11,760,000 to be paid on September 8 2022 with a record date of 24 August 2022.

No significant events have occurred since the reporting period which would impact on the financial position of the Group disclosed in the consolidated statement of financial position as at 30 June 2022 or on the results and cash flows of the Group for the current reporting period ended on that date.

1 This may be extended by a further 6 months where the allocation of ADIA's capital under the mandate does not exceed A$560 million by the date that is 18 months after the issue date.

2 On a fully diluted basis, excluding share rights under the Company's Employee Equity Plan.

3 Volume weighted average price.

Directors' declaration

1. In the opinion of the Directors of Qualitas Limited:
   a) The consolidated financial report and notes set out on pages 49 to 83 are in accordance with the *Corporations Act 2001*, including:
      i) Giving a true and fair view of the Group's financial position at 30 June 2022 and of its performance for the period 4 November to 30 June 2022;
      ii) Complying with Australian Accounting Standards 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.

2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Controller for the period ended 30 June 2022.
3. The Directors draw attention to Note 2 of the consolidated financial report, which includes a statement of compliance with International Financial Reporting Standards.

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

Andrew Fairley AM
Chairman

Melbourne, 18 August 2022

Independent auditor's report

KPMG

Independent Auditor's Report

To the shareholders of Qualitas Limited

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the ***Group*'s** financial position as at 30 June 2022 and of its financial performance for the period from 4 November 2021 to 30 June 2022; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2022
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the period then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

Independent auditor's report

KPMG

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Revenue recognition of performance fee income
- Expected credit loss allowance

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of performance fee income ($13,758,000)

Refer to Note 7a to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Group earns performance fee income from the funds it manages in accordance with investment management agreements, based on the performance obligations of the Group. Recognition of performance fee income is a key audit matter due to the following: ○ Contribution of performance fee income to the Group's result; and ○ the significant audit effort and judgement we have applied in assessing the Group's recognition and measurement of performance fee income. Complexity and judgements involved in applying the requirements of AASB 15 *Revenue from Contracts with Customers* include judgements made by the Group in: ○ Assessing the underlying timing of its performance fee income recognition based on the terms of the investment management agreements, the stage of the investment lifecycle, the expected maturity and performance of the underlying Fund. ○ Estimating the expected value of variable consideration based on fund returns and fund net asset values; and ○ Determining the amount for which it is highly probable that a significant revenue reversal will not subsequently	Our procedures included: • Obtaining an understanding of the performance fee income recognition process and key controls. • Evaluating the Group's accounting policies for revenue recognition in relation to performance fee income against the requirements of AASB 15 *Revenue from Contracts with Customers* and our understanding of the business. • Reading the relevant investment management agreements to understand the key terms of the arrangements and the performance obligations. • Assessing the Group's judgements in relation to the timing of performance fee income recognised. This included assessment of the funds the Group recognised performance fees for. This was evaluated against the stage of the investment lifecycle, expected maturity and the performance to date of the underlying fund, informed by our procedures on the underlying Funds. • Re-calculating a sample of the estimated expected value of variable consideration in accordance with the relevant investment management agreements, including testing a sample of inputs such as fund returns and fund net asset values to underlying Fund source documentation. • Challenging the Group's judgements in determining the portion of revenue constraint

Independent auditor's report

occur (the revenue constraint). In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and economic environment it operates in.	applied to the expected value of variable consideration using our knowledge of the underlying funds. This included performing probability weighted scenario and sensitivity analysis over variable consideration and developing a reasonable possible range to compare against the variable consideration recognised. • Assessing the appropriateness of the Group's disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.

Expected credit loss allowance ($674,000)	
Refer to Note 5b and Note 17 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Allowance for expected credit losses is a key audit matter due to: • the significance of the mortgage loans balance to the financial report; and • the inherent complexity of the Group's Expected Credit Loss (ECL) model (ECL model) used to measure ECL allowances. The model is reliant on data and a number of assumptions such as defining a significant increase in credit risk (SICR). This involves significant judgement applied by the Group and required by us to challenge these assumptions incorporating forward looking information reflecting the Group's view of future economic factors and the secured property valuations. The Group's criteria selected to identify a SICR, such as an increase in the probabilities of default, are key areas of judgement within the Group's ECL methodology as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded. The Group's policy is to apply overlays to address ECL measurement uncertainties in their model. In the current year, this included an economic cycle overlay taking into	Our procedures included: • Assessing the Group's significant accounting policies for ECL allowance against the requirements of the accounting standard. • Obtaining an understanding of the Group's processes to determine ECL allowances. • Testing key controls relating to the Group's lending and provisioning processes including: - Review and approval by Management of new loans against the Group's lending policies - Review and approval by Management of the Group's ECL model methodology. • Assessing the appropriateness of the Group's ECL methodology against the requirements of the accounting standards and industry practice. • Assessing the economic cycle overlay applied by the Group to the ECL model. We compared the mortgage loan portfolios' underlying performance and characteristics to current economic factors, emerging risks and trends, using our knowledge of the industry • Working with our valuation specialists we: - assessed the integrity of the Group's ECL model used, including the accuracy of the underlying calculation formulas; - tested the implementation of the Group's SICR criteria by re-performing the staging

Independent auditor's report

consideration the potential impact of an inflationary and increasing interest rate economic environment. We exercise significant judgement in challenging the economic factors considered and the judgemental model overlays the Group applies to the ECL model results.	assessment for a sample of loans and comparing our expectation to actual staging applied in the Group's ECL model; - performed industry comparisons of the impairment allowance coverage rates. We did this by using our knowledge of the loan portfolio and comparing the outputs of the Group's ECL model to publicly available data of comparable entities and against our industry experience; - tested the completeness and accuracy of relevant data and inputs used within the ECL model such as checking the year end balances to the general ledger and arrears and loan-to-value ratios to relevant source systems; - challenged key assumptions used in the ECL model relating to forward-looking economic factors, including expected probabilities of default, with reference to publicly available default information. - Checking a sample of secured property valuations to the Group's external valuation reports. - Considered the sensitivity of the model by varying key assumptions such as secured property valuations and expected probabilities of default within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and focus further procedures. • Assessing the appropriateness of the Group's disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standard.

Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report. The Chairman and Managing Director Letter; Company Overview, Strategy, People and Environmental, Social and Governance Report; Corporate Governance Statement; Shareholder Information; and Company Directory are expected to be made available to us after the date of the Auditor's Report.

Independent auditor's report

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our Auditor's Report.

Independent auditor's report

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Qualitas Limited for the period from 4 November 2021 to 30 June 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 9 to 16 of the Directors' report for the period ended 30 June 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Rachel Milum

Rachel Milum
Partner

Sydney

18 August 2022

Shareholder information

Information contained in this section is valid as of 13 September 2022, unless otherwise stated. Qualitas is listed on the Australian Securities Exchange (ASX) under the ASX Listing Code: QAL.

Voting Rights

Shareholders in Qualitas Limited are entitled to one vote for each share they hold in the Company.

Shareholders

Number of holders of Equity Securities

Contributed equity

294,000,000 fully paid shares are held by 1,177 individual security holders.

Substantial shareholders (as of 16 September 2022)	Number of Shares
Qualitas Limited[1]	104,800,431
ACS Qualitas Management Pty Ltd	66,830,066
QPP Holdings Pty Ltd[2]	66,830,066
Ethical Partners Fund Management Pty Ltd	15,480,524

Distribution of Shares	Number of Shareholders	Percentage of total Issued Shares
1 to 1,000	129	0.02
1,001 to 5,000	250	0.25
5,001 to 10,000	203	0.56
10,001 to 100,000	510	5.42
100,001 and over	85	93.74
Total Number of Shareholders	**1,177**	**100.00**

Number of securityholders holding less than a marketable parcel of 218 securities ($2.300 on 13/09/2022) is 18 and they hold 1195 securities.

Top 20 Shareholders	Number of Shares	Percentage of total Issued Shares
ACS Qualitas Management Pty Ltd <ACS Qualitas Management Trust A/C>	66,830,066	22.73
QPP Holdings Pty Ltd[2] <Qualitas Holdings (AJS) Trust A/C>	66,830,066	22.73
HSBC Custody Nominees (Australia) Limited	50,493,790	17.17
Citicorp Nominees Pty Limited	12,350,350	4.20
Jurrah Investments Pty Ltd <RM Davis Investment Trust A/C>	10,102,242	3.44
Ibrox Capital Management Pty Ltd <IBROX Investments Qualitas Discretionary Trust A/C>	7,770,927	2.64
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	6,430,200	2.19
Netwealth Investments Limited <Wrap Services A/C>	5,967,984	2.03
J P Morgan Nominees Australia Pty Limited	5,637,202	1.92
National Nominees Limited	5,093,965	1.73
UBS Nominees Pty Limited	4,203,500	1.43
HHV Investments Pty Ltd <HHV ESOP Trust A/C>	3,885,474	1.32
BNP Paribas Nominees Pty Ltd <DRP>	3,471,154	1.18
Parri Estate Pty Ltd	2,341,899	0.80
Netwealth Investments Limited <Super Services A/C>	1,868,414	0.64
Laidlaw Family Investments Pty Ltd <Laidlaw Family Investments Tru A/C>	1,600,000	0.54
Meltim Holdings Pty Ltd <Meltim Family Trust A/C>	1,569,873	0.53
Venti Seven Pty Ltd	1,120,864	0.38
Pacific Custodians Pty Limited[3] <Employee Share Tst A/C>	829,580	0.28
Deemco Pty Limited	810,000	0.28
Total	**259,207,550**	**88.17**
Total Shares on Issue	**294,000,000**	**100.00**

1. The Company has a deemed relevant interest in its own Shares under section 608(1)(c) of the Corporations Act by virtue of the restriction on the disposal of Shares under the voluntary escrow deeds entered into with each of the shareholders set out in Annexure A, as disclosed in section 7.7 of the Company's Prospectus dated 29 November 2021 and in the notice to the ASX on 22 December 2021. The Company has no right to acquire these Shares or to exercise, or control the exercise of, a right to vote attached to these Shares.
2. Holding entity of Andrew Schwartz, Group Managing Director.
3. The Company's Employee Share Trust as described in the Company's Employee Equity Plan.

Shareholder information

Options on issue

There are 32,630,374 options on issue wholly to Abu Dhabi Investment Authority (**ADIA**) with an expiry date of 1 August 2024, unless extended on the terms of the issue [1].

Performance rights on issue

There are 1,107,282 unquoted performance share rights on issue under the Company's Employee Equity Plan[2].

Escrow shares

Security description	Current Issued Capital
Voluntary Escrow [3] until 2 years from Listing Date (16 December 2023 inclusive)	52,400,217
Voluntary Escrow until 5 years from Listing Date (16 December 2026 inclusive)	52,400,214
Employee Escrow [4] until 3 years from Listing Date (16 December 2024 inclusive)	1,090,886
Employee Escrow until 5 years from Listing Date (16 December 2026 inclusive)	1,090,886
Total	**106,982,203**

Issue of securities

Except for the Company's Initial Public Offering on 16 December 2021, no Qualitas shares were issued during the period 1 July 2021 to 30 June 2022.

On 1 August 2022, Qualitas granted options to ADIA under which ADIA may acquire up to 32,630,374 new ordinary shares in Qualitas, representing up to 9.99% (on a fully diluted basis, excluding share rights under the Company's Employee Equity Plan) of current issued equity on a fully diluted basis (Maximum Equity Interest). ADIA will be eligible for the Maximum Equity Interest if it commits the further incremental investment mandates totalling A$1 billion (bringing the total commitment to A$1.7 billion) through additional Qualitas mandates.

On-market purchases

As outlined in the 30 June 2022 Remuneration Report, Non-Executive Directors 170,000 Share Rights converted to Shares in March 2022 and were purchased on market at an average price of $2.256653 per share and are subject to a disposal restriction until 16 December 2023.

1. The expiry date is extendable by a further 6 months where the allocation of ADIA's capital under the mandate does not exceed A$560 million by the date that is 18 months after the issue date of the options. Refer to the Company's ASX Announcement dated 1 August 2022 at https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02548258-3A598216?access_token=83ff96335c2d45a094df02a206a39ff4.
2. Refer to the plan released to the ASX at https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02467148-3A583826?access_token=83ff96335c2d45a094df02a206a39ff4.
3. As outlined in section 7.7 of the Company's Prospectus dated 29 November 2021 and ASX Announcement dated 22 December 2021.
4. As outlined in section 4.6.5 of the Company's Prospectus dated 29 November 2021, noting 829,580 share have since been forfeited.

Fund key and glossary

Listed Entity

ASX: QAL	Qualitas Group

Listed Fund

ASX: QRI	Qualitas Real Estate Income Fund

Unlisted Funds

QSDF	Senior Debt Fund
QBIF	Build-to-Rent Impact Fund
QCDF	Construction Debt Fund
QDCI	Diversified Credit Investments
QDREF	Diversified Real Estate Fund
QFIF	Food Infrastructure Fund
QREOFI	Real Estate Opportunity Fund 1
QREOFII	Real Estate Opportunity Fund 2
QREOFIII	Real Estate Opportunity Fund 3
QSDEF	Senior Debt Enhanced Fund
Senior Debt SMA	Senior Debt separately managed account

Glossary

ADI	Authorised deposit-taking institution
ADIA	Abu Dhabi Investment Authority
ASX	Australian Securities Exchange
BTR	Build-to-rent
CAGR	Compound annual growth rate
CRE	Commercial real estate
EBITDA	Earnings before interest tax depreciation & amortisation
ESG	Environmental, Social and Governance
FM	Funds Management
FUM	Funds under management represented by committed capital from investors with signed investor agreements
GAV	Gross Asset Value
Invested FUM	FUM that is currently deployed. This includes capital drawn for equity funds and funds drawn on live deals/loans less repayments for credit funds
IPO	Initial Public Offering
RAP	Reconciliation Action Plan
WALE	Weighted average lease expiry

Company directory

Qualitas Limited

Registered Office
Qualitas Limited (Registered Office)
Level 38, 120 Collins Street
Melbourne, Victoria 3000, Australia
Telephone: +61 3 9612 3900
www.qualitas.com.au
investor.relations@qualitas.com.au

Securities Exchange Listing
Qualitas (QAL) is listed on the Australian Securities Exchange (ASX)
ASX code: QAL

Board of Directors

Andrew Fairley AM
Independent Non-Executive Chairman

Andrew Schwartz
Group Managing Director, Co-Founder and Chief Investment Officer

Mary Ploughman
Independent Non-Executive Director

Michael Schoenfeld
Independent Non-Executive Director

JoAnne Stephenson
Independent Non-Executive Director

Brian Delaney
Non-Independent Non-Executive Director

Company Secretary
Terrie Morgan

Share Registry

Australia
Link Market Services
Level 12, 680 George Street
Sydney NSW 2000
Telephone: 8280 7100 (within Australia)
+61 2 8280 7100 (outside Australia)

Qualitas Contact
Telephone: 1800 628 703 (within Australia)
Email: qualitas@linkmarketservices.com.au

Auditor

KPMG
Level 38 Tower Three 300 Barangaroo Avenue Sydney NSW 2000

Disclaimer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