Name of Entity: QANTM Intellectual Property Limited ACN 612 441 326

Current period:	**Half-year ended 31 December 2017**
Previous corresponding period:	Half-year ended 31 December 2016

APPENDIX 4D
Half-year Financial Report
Half-year ended 31 December 2017

	31 Dec 2017	31 Dec 2016	Change
	$'000	$'000	%
Revenues from ordinary activities	49,212	47,848	2.9
Statutory Profit/(loss) from ordinary activities after	3,624	(114)	3278.9
Underlying net profit after tax from ordinary activities[1]	5,518	7,079	(22.1)
Distributions – current period (cents): 1H17 interim dividend (declared)	2.8	3.6	(22.2)
Franked amount per share	2.8	3.6	n/a
Interim dividend sourced from conduit foreign income	-	-	n/a
Distributions – previous period (cents)	3.6	nil	100
Record date for determining entitlement to the interim dividend	28 February 2018		
	31 Dec 2017	**30 Jun 2017**	**Change**
Net tangible asset value per share	0.01	0.03	(66.7)

[1] Underlying net profit after tax ("Underlying NPAT") is reported to provide shareholders with additional information to enhance their understanding of the performance of QANTM Intellectual Property Limited. Underlying NPAT has been determined by adding back significant, one off items and non-cash share based payment expense.

Results for announcement to the market

This information should be read in conjunction with the Consolidated Financial Report of QANTM Intellectual Property Limited for the half-year ended 31 December 2017, and any public announcements made in the period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

Details of entities over which control has been gained or lost during the period:

Control gained: None

Control lost: None

Details of any associates and joint venture entities required to be disclosed:

Nil

Audit status

This report is based on the Consolidated Financial Report of QANTM Intellectual Property Limited for the half-year ended 31 December 2017, which has been reviewed by Deloitte Touche Tohmatsu.

Other significant information and commentary on results

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2017 Half Year Financial Report.

For all other information required by Appendix 4D, including a results commentary, please refer to the following documents:

- Directors' Report
- Reviewed Half Year Financial Report
- Results Presentation

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

CONSOLIDATED FINANCIAL REPORT

For the Half-year ended 31 December 2017

Contents

For the Half-year ended 31 December 2017

Directors' Report

For the Half-year ended 31 December 2017

The directors of QANTM Intellectual Property Limited ('the Company' or 'QANTM') present the half-year financial report of the Company and its controlled entities ('the Group' or 'QANTM Group') for the half-year ended 31 December 2017. To comply with the provisions of the *Corporations Act 2001*, the directors' report is as follows:

QANTM was incorporated on 17 May 2016 as a holding company. The Company was admitted to the official list of the Australian Securities Exchange ('ASX') on 31 August 2016.

The Group comprises the businesses of Davies Collison Cave ('DCC') and Freehills Patent Attorneys ('FPA'), two of Australia's leading professional intellectual property ('IP') services firms.

DCC is one of the largest patent and trade mark attorney firms in Australia. DCC's three major service areas are patents, trade marks and legal services. FPA is a specialist patent attorney practice.

Both firms' principal operations are in Australia where each firm services both local clients and international clients in respect of their Australian IP rights. Asia has also been a strategic focus of both firms and DCC opened an office in Singapore in July 2015.

There were no significant changes in the Group's principal activities during the financial half-year.

DIRECTORS

The names and particulars of the directors in office at any time during the financial half-year up to the date of this report are:

Name	Office
Mr Richard England	Non-executive Chairman
Mr Leon Allen	Managing Director
Ms Abigail Cheadle	Non-executive Director
Mr Cameron Judson	Non-executive Director
Ms Sonia Petering	Non-executive Director

Directors' Report

For the Half-year ended 31 December 2017

OPERATIONAL AND FINANCIAL REVIEW[1]

The following provides commentary on the Group's half year 2018 results. Underlying results are referred to below to highlight underlying performance. The underlying results reflect adjustments for the Initial Public Offering (IPO) costs and other one-off expenses associated with the restructure of the business. Refer page 4 for a reconciliation of statutory Net Profit After Tax (NPAT) to underlying NPAT.

Key business and operational features during the 6 months to 31 December 2017 included the following:

Operational

Principal operational and business activities during the period included:

- continued steps to establish common and integrated systems in DCC and FPA, with the implementation of an electronic file and data management system across the business and progress on the implementation of a common financial reporting system, expected to be fully operational by 1 July 2018;
- further business reconfiguration and efficiency initiatives implemented with a number of positions either being made redundant or subject to early retirement, and with a reduction in back office costs. These initiatives have sought to align business resourcing to market conditions and will have the benefit of enhancing career progression for many professionals. They are expected to generate annualised cost savings of approximately $3.9 million from the 2019 financial year. Restructuring costs of $1.9 million were incurred during the period associated with these measures;
- increased business development and marketing activities, designed to generate additional business and enhance DCC/FPA's position in specific geographies and industry sectors;
- in line with the Group's incremental business approach, the lateral recruitment of two experienced intellectual property teams occurred during the half.

Business Conditions

Business conditions were primarily marked by the following features:

- in respect of the Australian operating segment, the Australian market experienced a further period of weaker patent application, prosecution and advisory activity, mainly related, in the Group's case, to a reduction in offshore-sourced Australian prosecution and advisory work;
- total Australian patent applications declined by 2% compared with the prior corresponding periods. Patent filings represent a relatively small proportion of overall patent revenue;
- the Group's patent revenue declined from $38.7 million to $35.4 million. The lower patent revenue in the half was mainly related to a lower level of foreign derived, Australian prosecution and advisory business;
- the Group's trade mark business continued to strengthen compared to the prior corresponding period, reflected in a 3.5% increase in revenue to $8.9 million (1H 2017: $8.6 million);
- the Group's Asian operating segment based in Singapore, while operating from a comparatively low revenue base, increased revenue by 44% and grew its trade mark-based revenue from a negligible base. The business also generated a positive EBITDA contribution. The Singapore office is now positioned within the top 10 patent filing companies in Singapore;
- the Group's legal and litigation revenues increased by 16.7% to $4.9 million (1H 2017: $4.2 million) associated with an increase in the provision of litigation services to clients during the period;

[1] The directors believe the use of underlying and additional information to the IFRS measures included in the report is relevant and useful in measuring the financial performance of the Group.

- cost reduction initiatives accompanied by measures to enhance future revenue generation (including programs for: refocused business development and marketing; and lateral recruitment) have been undertaken to mitigate the weaker trend seen in the patent part of the business.

Financial Results[1]

Key features of the Company's financial results included:

- total revenue (Service Charges and Associate Charges) for the 6 months to 31 December was $49.2 million (1H 2017: $51.5 million);
- the lower total revenue reflects lower patent application, prosecution and advisory revenues, which was partially offset by higher trade mark revenues and an increase in revenue generated for legal and litigation services;
- operating expenses were 2.3% lower at $30.3 million (1H 2017: $31.0 million), with occupancy and technology costs declining by 5.4%, reflecting the benefit of prior period efficiency initiatives in these areas. Staff costs, the largest component of operating expenses, declined 2.2% period-on-period, despite a CPI-related wage increase, new lateral recruitment of principals and a strengthening of corporate functions. As indicated previously, increased expenditure on business development and marketing commenced in the period designed to provide medium to longer term revenue benefits;
- restructuring costs of $1.9 million were incurred associated with the business reconfiguration activities undertaken in the half. It is expected that these reconfiguration activities will generate annualised cost savings of approximately $3.9 million from the 2019 financial year;
- underlying EBITDA was $9.4 million (1H 2017: $11.8 million), reflecting lower revenue generation;
- the foreign exchange gain impact reduced from $0.6 million in the prior comparative half to $33k in the current half;
- underlying net profit after tax was $5.5 million (1H 2017: $7.1 million);
- Operating cash flow of $8.3 million was generated (1H 2017: $10.8 million);
- net debt as at 31 December 2017 was $6.7 million, down 46% from $12.4 million as at 31 December 2016, with a gearing ratio (net debt/net debt + equity) of 9.1%.

[1] The directors believe the use of underlying and additional information to the IFRS measures included in the report is relevant and useful in measuring the financial performance of the Group.

Directors' Report

For the Half-year ended 31 December 2017

RESULTS

The reconciliation table below reconciles statutory NPAT for the half year to underlying NPAT.

	Half-year ended	
	31-Dec-17 $'000	31-Dec-16 $'000
Statutory NPAT	**3,624**	**(114)**
add: DCC LLP pre-acquisition NPAT	-	(68)
add: FPA pre-acquisition NPAT	-	(2,242)
NPAT – QANTM Group	**3,624**	**(2,424)**
add: interest	429	488
add: depreciation and amortisation	1,067	733
add: tax	1,854	(178)
EBITDA – QANTM Group	**6,974**	**(1,381)**
add: IPO expenses	-	6,574
add: share based payments	584	958
add: retention bonuses	-	4,553
add: reorganisation expenses	-	664
add: initial recognition Principal LSL	-	1,684
add: partnership expenditure	-	157
less: notional remuneration adjustment	-	(1,445)
add: restructuring costs	1,871	-
Underlying EBITDA – QANTM Group	**9,429**	**11,764**
less: depreciation and amortisation	(1,067)	(878)
less: interest	(429)	(488)
less: tax	(2,415)	(3,319)
Underlying NPAT - QANTM Group	**5,518**	**7,079**

Directors' Report

For the Half-year ended 31 December 2017

DIVIDENDS

For the half-year ended 31 December 2017, the directors resolved to pay a fully franked interim dividend of 2.8 cents per share (2016: 3.6 cents). The record date for the dividend is 28 February 2018. The dividend represents 90% of NPAT before amortisation (NPATA).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under 307C of the Corporations Act 2001 is included on page 10 of the half-year financial report.

ROUNDING OFF OF AMOUNTS

QANTM is a company of the kind referred to in ASIC Corporations (Rounding in the Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the accompanying half-year financial report have been rounded to the nearest thousand dollars, except where otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Board of Directors,

Richard R England.

Richard England
Chairman

Melbourne
22 February 2018

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia
DX: 10307SSE
Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

The Board of Directors
QANTM Intellectual Property Limited
Level 15, 1 Nicholson Street
MELBOURNE VIC 3000

22 February 2018

Dear Board Members

QANTM Intellectual Property Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of QANTM Intellectual Property Limited.

As lead audit partner for the review of the financial statements of QANTM Intellectual Property Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Gerard Belleville

Gerard Belleville
Partner
Chartered Accountant

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia
DX: 10307SSE
Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

Independent Auditor's Review Report to the members of QANTM Intellectual Property Limited

We have reviewed the accompanying half-year financial report of QANTM Intellectual Property Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017 and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of QANTM Intellectual Property Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of QANTM Intellectual Property Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of QANTM Intellectual Property Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Gerard Belleville

Gerard Belleville
Partner
Chartered Accountants
Melbourne, 22 February 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-year ended 31 December 2017

	Note	Half-year ended 31-Dec-17 $'000	Half-year ended 31-Dec-16 $'000
Service charges		**37,988**	37,253
Associate charges		**11,224**	10,595
Total Revenue		**49,212**	47,848
Other Income		**1,044**	1,528
Employee benefits expenses		**(22,346)**	(23,190)
Recoverable expenses		**(10,519)**	(9,624)
Occupancy expenses		**(3,234)**	(3,013)
Restructuring expenses		**(1,871)**	-
Other expenses	4	**(5,312)**	(12,648)
Earnings before finance costs, income tax, depreciation and amortisation		**6,974**	901
Depreciation and amortisation		**(1,067)**	(713)
Profit before finance costs and income tax		**5,907**	188
Net finance costs		**(429)**	(480)
Net Profit/ (loss) before income tax		**5,478**	(292)
Income tax (expense) / benefit		**(1,854)**	178
NET PROFIT / (LOSS) FOR THE PERIOD		**3,624**	(114)
Other comprehensive income, net of income tax			
Other comprehensive income		**-**	-
Total comprehensive income/ (loss) for the period		**3,624**	(114)

Earnings per share	**cents per share**	**cents per share**
Basic (cents per share)	**2.73**	(0.09)
Diluted (cents per share)	**2.72**	(0.09)

The accompanying notes on page numbers 13 to 18 form part of this half-year financial report.

QANTM Intellectual Property Limited and Controlled Entities
ACN: 612 441 326

Condensed Consolidated Statement of Financial Position

As at 31 December 2017

	Note	31-Dec-17 $'000	30-Jun-17 $'000
CURRENT ASSETS			
Cash and cash equivalents		**4,957**	8,340
Trade and other receivables		**26,134**	29,563
Other financial assets	8	**222**	269
Other current assets		**1,908**	1,143
TOTAL CURRENT ASSETS		**33,221**	39,315
NON-CURRENT ASSETS			
Property, plant and equipment		**2,319**	2,332
Intangible assets	5	**66,696**	67,074
Other assets		**36**	72
TOTAL NON-CURRENT ASSETS		**69,051**	69,478
TOTAL ASSETS		**102,272**	108,793
CURRENT LIABILITIES			
Trade and other payables		**6,408**	8,073
Provisions		**6,650**	6,454
Borrowings	8	**351**	581
Current tax liabilities		**4,949**	3,538
TOTAL CURRENT LIABILITIES		**18,358**	18,646
NON-CURRENT LIABILITIES			
Provisions		**2,607**	2,677
Borrowings	6	**11,336**	15,095
Deferred tax liabilities		**1,953**	1,521
TOTAL NON-CURRENT LIABILITIES		**15,896**	19,293
TOTAL LIABILITIES		**34,254**	37,939
NET ASSETS		**68,018**	70,854
EQUITY			
Issued capital		**293,798**	293,798
Reserves		**(222,146)**	(222,730)
Retained earnings		**(3,634)**	(214)
TOTAL EQUITY		**68,018**	70,854

The accompanying notes on page numbers 13 to 18 form part of this half-year financial report.

Condensed Consolidated Statement of Changes in Equity

For the Half-year ended 31 December 2017

	Capital Account / Issued Capital	Reorg. Reserve	Share payment Reserve	Retained Profits	Total Equity
	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 July 2016	-	-	-	(23,607)	(23,607)
Loss for the period	-	-	-	(114)	(114)
Other comprehensive income/(loss) for the period	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	(114)	(114)
Shares issued to DCC partners	202,116	(200,866)	-	-	1,250
Shares issued to FPA partners	61,266	-	-	-	61,266
Capital raising	30,827	-	-	-	30,827
Employee share schemes	830	-	126	-	956
Equity raising costs net of tax	(1,241)	-	-	-	(1,241)
Distributions to previous owners	-	-	-	(1,039)	(1,039)
Reallocation of retained earnings at reorganisation date	-	(21,990)	-	21,990	-
Closing balance at 31 December 2016	293,798	(222,856)	126	(2,770)	68,298

	Capital Account / Issued Capital	Reorg. Reserve	Share payment Reserve	Retained Profits	Total Equity
	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 July 2017	**293,798**	**(222,856)**	**126**	**(214)**	**70,854**
Profit for the period	**-**	**-**	**-**	**3,624**	**3,624**
Other comprehensive income/(loss) for the period	**-**	**-**	**-**	**-**	**-**
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**3,624**	**3,624**
Employee share schemes	**-**	**-**	**584**	**-**	**584**
Dividends paid	**-**	**-**	**-**	**(7,044)**	**(7,044)**
Closing balance at 31 December 2017	**293,798**	**(222,856)**	**710**	**(3,634)**	**68,018**

The accompanying notes on page numbers 13 to 18 form part of this half-year financial report

Condensed Consolidated Statement of Cash Flows

For the Half-year ended 31 December 2017

	Half-year ended	
	31-Dec-17 $'000	31-Dec-16 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	**53,685**	52,774
Payment to suppliers and employees	**(44,951)**	(43,860)
Interest and costs of finance paid	**(457)**	(480)
Income tax paid	**-**	-
Net cash provided by operating activities	**8,277**	8,434
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	**(549)**	(383)
Payments for intangible assets	**(123)**	-
Loans to associated entities	**-**	(507)
Cash acquired	**-**	2,327
Net cash used in investing activities	**(672)**	1,437
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	**-**	15,002
Repayment of bank borrowings	**(3,990)**	(15,876)
Proceeds from issue of new shares	**-**	30,827
Transaction costs relating to issue of new shares	**-**	(9,864)
Repayment of previous owner loans	**-**	(25,819)
Dividends paid	**(7,044)**	-
Distributions to previous owners	**-**	(1,039)
Net cash provided by finance activities	**(11,034)**	(6,769)
Net (decrease) / increase in cash and cash equivalents from continuing operations	**(3,429)**	3,102
Cash and cash equivalents at the beginning of the period	**8,340**	520
Effects of exchange rate changes on the balance of cash held in foreign currencies	**46**	15
Cash and cash equivalents at the end of the period	**4,957**	3,637

The accompanying notes on page numbers 13 to 18 form part of this half-year financial report

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the following half-year.

(b) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The impact of adopting significant new and revised Standards and Interpretations on issue but not yet effective are still being determined:

- *AASB 15 Revenue from Contacts with Customers*, and the relevant amending standards (effective 1 January 2018): The Group is in the process of completing its detailed assessment of AASB 15. The effects of adopting the new standard are not expected to be material.
- *AASB 16 Leases* (effective 1 January 2019): The new requirement to recognise a right-of-use asset and a related lease liability is expected to have an impact on the amounts recognised in the Group's consolidated financial statements. It is not expected to be significant given the limited number of lease contracts held by the Group.

It is not practicable to provide a reasonable estimate of the financial effect of these new standards until the Group's assessments are complete.

NOTE 2: DIVIDENDS

In respect of the half-year ended 31 December 2017, the directors resolved to pay a fully franked interim dividend of 2.8 cents per share (2016: 3.6 cents).

NOTE 3: SEGMENT INFORMATION

(a) Basis for segmentation

AASB 8 requires operating segments to be identified based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group operates in two geographic locations, which are its reportable segments. The Group has identified its operating segments based on geographical locations being Australia and Asia. The Asian operating segment is considered immaterial and does not currently meet the reporting criteria per AASB 8 *Operating Segments*, therefore the Group will only report one operating segment, being Australia, in its financial reports. If the Asian operating segment meets the reporting criteria in future periods, this information will be disclosed separately in accordance with AASB 8.

(b) Major customers

No single customer contributed more than 10% of the Group’s revenue during either 2017 or 2016.

NOTE 4: SIGNIFICANT EXPENSES

The result for the half year includes the following specific expenses:

Other Expenses

	Half-year ended	
	31-Dec-17	**31-Dec-16**
	$’000	**$'000**
Travel and entertainment	**(1,138)**	(1,300)
Technology costs	**(1,730)**	(1,835)
Marketing	**(759)**	(546)
IPO costs	**-**	(6,574)
Other expenses	**(1,685)**	(2,393)
	(5,312)	(12,648)

Notes to the Condensed Consolidated Financial Statements

For the Half-year ended 31 December 2017

NOTE 5: INTANGIBLE ASSETS

	Note	Half-year ended 31-Dec-17 $'000	30-Jun 17 $'000
Goodwill			
Acquisitions through business combinations		**45,836**	45,836
Accumulated impairment losses		**-**	-
Net carrying value of goodwill		**45,836**	45,836
Brand names			
Acquisitions through business combinations		**2,700**	2,700
Accumulated impairment losses		**-**	-
Net carrying value of brand names		**2,700**	2,700
Client Relationships			
Balance at beginning of period		**19,300**	-
Acquisitions through business combinations		**-**	19,300
Accumulated amortisation		**(1,311)**	(825)
Net carrying value of client relationships		**17,989**	18,475
Software			
Balance at beginning of period		**86**	-
Additions at cost		**123**	61
Acquisitions through business combinations		**-**	25
Accumulated amortisation		**(38)**	(23)
Net carrying value of software		**171**	63
Total Intangibles		**66,696**	**67,074**

NOTE 6: BORROWINGS

During the period the Group repaid $3.6 million on the cash advance facility.

NOTE 7: KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report. During the period there have been no significant changes in the nature of such arrangements. On 30 August 2017 Martin Cleaver was appointed as Chief Financial Officer to replace Warren Howe.

NOTE 8: FAIR VALUE MEASUREMENT

(a) Valuation Techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

- *Income approach:* valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

- *Cost approach:* valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable. Whereas inputs for which market data is unavailable and therefore are developed using the best information available about such assumptions are considered unobservable.

NOTE 8: FAIR VALUE MEASUREMENT (CONTINUED)

(b) Financial Instruments

The following table represents a comparison between the carrying amounts and fair values of financial assets and liabilities:

	31 December 2017		30 June 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$000	$000	$000	$000
Financial assets:				
Forward exchange contracts	222	222	269	269
	222	222	269	269
Financial liabilities:				
Borrowings	351	351	581	581
	351	351	581	581

As the carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair values, they have not been included in the above table.

(c) Recurring and Non-Recurring Fair Value Measurement Amounts and the Level of the Fair Value Hierarchy within which the Fair Value Measurements are Categorised

	31 December 2017			
Recurring fair value measurements	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	**$'000**	**$'000**	**$'000**	**$'000**
Forward exchange contracts	-	222	-	222
Total assets	-	222	-	222

	30 June 2017			
Recurring fair value measurements	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	**$'000**	**$'000**	**$'000**	**$'000**
Forward exchange contracts	-	269	-	269
Total assets	-	269	-	269

Notes to the Condensed Consolidated Financial Statements

For the Half-year ended 31 December 2017

NOTE 8: FAIR VALUE MEASUREMENT (CONTINUED)

(d) Valuation Techniques and Inputs Used to Determine Level 2 Fair Values

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31-Dec-17 $'000	30-Jun-17 $'000		
Forward exchange contracts	222	269	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no changes during the period in the valuation techniques used by the Group to determine Level 2 fair value.

NOTE 9: CONTINGENT LIABILITIES

	31-Dec-17 $'000	30-Jun-17 $'000
Estimates of material amounts of contingent liabilities, not provided for in the financial report:		
Bank guarantees in respect of property leases	**1,933**	3,270

NOTE 10: EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

Directors' Declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001,* including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001.*

On behalf of the Directors

Leon Allen, Director

Abigail Cheadle, Director