QANTM Intellectual Property Limited ACN 612 441 326 and Controlled Entities

Financial report for the year ended 30 June 2018

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

Results for Announcement to the Market

Key Information		2018 $000	2017 $000	% Change
Revenue from ordinary activities	Up	101,716	99,520	2.2
Profit after tax from ordinary activities attributable to members	Up	9,513	7,180	32.5
Net profit attributable to members	Up	9,513	7,180	32.5

Dividends Paid and Proposed

	Amount per Security	Franked Amount per Security at 30% of Tax
Ordinary shares:		
2018 interim ordinary dividend paid 28 March 2018	2.8 cents	2.8 cents
2018 final ordinary dividend declared 28 August 2018	4.3 cents	4.3 cents
Record date for determining entitlements to the final dividend on ordinary shares**:**		5 September 2018
Payment date		3 October 2018

Explanation of Key Information and Dividends

Refer to the accompanying Directors' report of the Annual Report for commentary on the results.

Statement of Profit or Loss and Other Comprehensive Income with Notes to the Statement

Refer to page 26 of the 30 June 2018 financial report and accompanying notes for QANTM Intellectual Property Limited and Controlled Entities.

Statement of Financial Position with Notes to the Statement

Refer to page 27 of the 30 June 2018 financial report and accompanying notes for QANTM Intellectual Property Limited and Controlled Entities.

Statement of Changes in Equity with Notes to the Statement

Refer to page 28 of the 30 June 2018 financial report and accompanying notes for QANTM Intellectual Property Limited and Controlled Entities.

Statement of Cash Flows with Notes to the Statement

Refer to page 29 of the 30 June 2018 financial report and accompanying notes for QANTM Intellectual Property Limited and Controlled Entities.

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Dividend Reinvestment Plan

There was no dividend reinvestment plan in operation during the financial year.

Net Tangible Assets per Share

	2018 cents per share	2017 cents per share[1]
Net tangible assets per ordinary share	$0.03	$0.03

[1]Calculated using the weighted average number of ordinary shares outstanding during the year ended 30 June 2017, assuming the restructure of the Group and IPO occurred on or prior to 1 July 2016.

Control Gained or Lost over Entities in the Year

Control gained: None

Control lost: None

Commentary on the Results for the Period

Refer to the commentary on the results for the period contained within the operating and financial review section of the annual report.

Status of Audit

The 30 June 2018 financial statements and accompanying notes for QANTM Intellectual Property Limited and Controlled Entities have been audited and are not subject to any disputes or qualifications. Refer to page 69 of the 30 June 2018 financial report for a copy of the auditor's report.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Financial Report

For the Year Ended 30 June 2018

QANTM Intellectual Property Limited and Controlled Entities

DIRECTORS' REPORT

for the year ended 30 June 2018

The Directors of QANTM Intellectual Property Limited ('the Company' or 'QANTM') present the full-year financial report of the Company and its controlled entities ('the Group' or 'QANTM Group') for the 12 months ended 30 June 2018. To comply with the provisions of the *Corporations Act 2001*, the Directors' report follows.

QANTM was incorporated on 17 May 2016. QANTM is the holding company of intellectual property services firm Davies Collison Cave Pty Ltd, Davies Collison Cave Law Pty Ltd, and Davies Collison Cave Asia Pte Ltd, (collectively called Davies Collison Cave or 'DCC') and FPA Patent Attorneys Pty Ltd ('FPA'). The Company was admitted to the official list of the Australian Securities Exchange ('ASX') on 31 August 2016. The Company has the ASX code of QIP.

QANTM owns two of Australia's leading intellectual property ('IP') firms, providing services in relation to the creation, protection, commercialisation, enforcement and management of IP to a broad range of Australian and international clients.

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 and focuses solely on patents and designs. The Group, through DCC and FPA, has offices in Sydney, Melbourne, Brisbane and various regional centres, with a Singapore presence conducted by DCC. The Group generates revenue from foreign associates, which includes IP and patent attorney firms in multiple jurisdictions globally.

As at 30 June 2018, the QANTM Group had a total of 301 employees.

1. General information

1.1. Directors

The names of the Directors in office at any time during, or since the end of, the year are:

Names	Position
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 have been in office since the start of the financial year to the date of this report unless otherwise stated.

1.2. Information on directors

The skills, experience and expertise of each person who is a Director of the Company at the end of the financial year are provided below, together with details of the Company Secretary as at year end.

Mr Richard England	Non-Executive Chairman
Qualifications	FCA, MAICD
Experience	Richard was appointed independent Non-Executive Chairman on 17 May 2016. He was formerly a partner at Ernst & Young from 1988 to 1994 and a consultant until 2003. Richard is a Fellow of Chartered Accountants Australia and New Zealand and a Member of the Australian Institute of Company Directors.
Interest in shares and options	135,134 shares
Special responsibilities	Chairman
Other current listed directorships	Richard is a Non-Executive Director of Atlas Arteria (formally Macquarie Atlas Roads Limited), Bingo Industries Limited, Japara Healthcare Limited and Nanosconics Limited.
Former directorships of listed entities (last 3 years)	Chairman of Ruralco Holdings Limited until he resigned on 5 September 2016.

Mr Leon Allen	Managing Director and Chief Executive Officer
Qualifications	BSc (Hons), Patent Attorney
Experience	Leon joined DCC in 1995 and has worked as a patent attorney since 1981. He had been managing partner and chairman of DCC's national management board since 2011. Leon is a past president of the Institute of Patent and Trade Marks Attorneys of Australia, having served on its Council from 1992 to 2013. Leon served two terms on the Advisory Council on Intellectual Property to the Federal Government, the second as Chair. He is a Fellow of the International Federation of Patent Attorneys Academy of Education, teaching patent drafting in Europe, and is also a Senior Fellow of the University of Melbourne. He was appointed Managing Director and CEO on 17 May 2016.
Interest in shares and options	2,037,227 shares
Special responsibilities	None
Other current listed directorships	None
Former directorships of listed entities (last 3 years)	None

1. General information (continued)

1.2 Information on directors (continued)

Ms Abigail Cheadle	Non-Executive Director
Qualifications	B. Bus, ACA, MAICD
Experience	Abigail is a chartered accountant and executive director with over 25 years' experience in Australia, Asia, Middle East and Europe. Abigail has had an international executive career with global services firms, building and managing businesses through Asia; undertaking restructuring and recapitalising: the former Soviet Union and Iraqi foreign debt, listed companies and financial institutions; identifying fraud and managing regulatory investigations and litigation. She worked for Kroll, KordaMentha, Deloitte and Ernst & Young and was formerly a certified fraud examiner and a member of the Singapore Institute of Directors. Abigail is a member of the Australian Institute of Company Directors.
Interest in shares and options	90,090 shares
Special responsibilities	Chairman of Audit, Risk and Compliance Committee
Other current listed directorships	None
Former directorships of listed entities (last 3 years)	Abilgail was a Non-Executive Director of SurfStitch Group Limited.

Mr Cameron Judson	Non-Executive Director
Qualifications	BA, MBA, MAICD
Experience	Cameron was most recently the CEO of McGrath Limited, a position held from 2016 to 2018. Previously, he was CEO and Managing Director of Chandler Macleod Group Limited from 2012 to July 2015. Cameron is a member of the Australian Institute of Company Directors.
Interest in shares and options	45,044 shares
Special responsibilities	Chairman of People, Remuneration and Culture Committee
Other current listed directorships	None
Former directorships of listed entities (last 3 years)	None

1. General information (continued)

1.2 Information on directors (continued)

Ms Sonia Petering	Non-Executive Director
Qualifications	LLB, B.Com, FAICD
Experience	Sonia is an experienced corporate lawyer who commenced her own legal practice in 2001. Sonia is a Non-Executive Director of Cuscal Limited, TAL Dai-Ichi Australia Pty Ltd and Virtus Health Ltd (ASX:VRT). Sonia previously served as a non-executive director on the boards of the Transport Accident Commission and Rural Finance Corporate of Victoria, as chair of the board from 2009 to 2016. Sonia has chaired various board committees, including audit and risk, marketing and road safety, remuneration and capability. Sonia is a Fellow of the Australian Institute of Company Directors.
Interest in shares and options	45,044 shares
Special responsibilities	None
Other current listed directorships	Non-executive Director of Virtus Health Limited.
Former directorships of listed entities (last 3 years)	None

Company Secretary

The following people held the position of Company Secretary at the end of the financial year:

- Mr Martin Cleaver
- Mr Hasaka Martin

Martin Cleaver was appointed as Company Secretary on 30 August 2017 and also serves as Chief Financial Officer. Martin is a chartered accountant with over twenty years' experience in senior finance roles, including most recently with Chandler Macleod Group Ltd as Executive General Manager, Finance and also as Deputy Chief Financial Officer. Prior to that Martin held senior finance positions at ANZ Banking Group Ltd and KPMG.

Hasaka Martin was appointed as Joint Company Secretary on 19 December 2017. Hasaka is a chartered secretary with over ten years' experience, he holds a Graduate Diploma in Applied Corporate Governance and is a Fellow of both the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators.

2. Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number attended are:

	Directors' Meetings		Audit, Risk and Compliance Committee		People, Remuneration and Culture Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Richard England	14	14	N/A	N/A	N/A	N/A
Mr Leon Allen	14	14	N/A	N/A	N/A	N/A
Ms Abigail Cheadle	14	14	5	5	4	4
Mr Cameron Judson	14	14	5	5	4	4
Ms Sonia Petering	12	14	4	5	4	4

3. Principal Activities

QANTM comprises the businesses of DCC and FPA, two of Australia's leading professional IP services firms.

Both firms' principal operations are in Australia where each services both local and international clients in respect of their Australian IP rights. Asia is a strategic focus of both firms and DCC opened an office in Singapore in July 2015. During the second half of the year, QANTM announced the acquisition of the Malaysian intellectual property company, Advanz Fidelis IP Sdn Bhd. The acquisition was completed subsequent to the end of the financial year, on 2 July 2018, with an upfront payment of AUD$3.05 million.

There were no significant changes in the nature of the Group's principal activities during the financial year

4. Operational and financial review[1]

The following provides commentary on the Group's 2018 results.

The underlying results of the QANTM group are provided, which in 2018 are adjusted for various items, not considered of a recurring nature, including employee incentive and share based payments of $0.9 million and restructuring and business acquisition costs of $2.3 million. The comparison is provided to 2017 Pro forma results which made certain adjustments associated with the Initial Public Offering ('IPO') costs and other one-off expenses associated with the restructure of the business. Refer page 10 for a reconciliation of statutory Net Profit After Tax ('NPAT') to underlying NPAT.

The Group's total revenue for the year ended 30 June 2018 was $101.7 million, compared with $103.2 million Pro forma revenue for the corresponding period in 2017. The Group's reported consolidated underlying EBITDA after FX was $20.1 million compared with $24.5 million pro forma EBITDA for the 2017 financial year. The Group's NPAT was $11.9 million, compared with the 2017 Pro forma result of $14.8 million.

Net debt as at 30 June 2018 was $8.3 million, compared with $7.4 million as at 30 June 2017. Gearing (net debt/net debt + book equity) at 30 June 2018 was 10.6%.

In line with the Company's dividend payment policy, Directors determined a total 2018 dividend of 7.1 cents per share, fully franked, made up of an interim dividend of 2.8 cents per share and a final dividend of 4.3 cents per share.

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

4. Operational and financial review (continued)

The Group's Total underlying Operating Expenses were $61.1 million, compared with a pro forma $61.7 million in 2017 (refer below for details of Recoverable Expenses associated with Associate Charges).

The Company provided a Trading Update on 13 February 2018 related to the first half trading conditions and the implications for the full year forecast. The Company had advised, as part of its 2017 full year results issued on 30 August 2017, that it expected a return in Australian patent and trade mark filing applications to long term historical, GDP growth rates. Based on the then unaudited financial results for the six months to 31 December 2017, despite higher trade mark and intellectual property legal revenues, the unaudited figures showed a 4.7% decline in total revenues compared with the corresponding 2017 half year period. Accordingly, the Company advised that it expected revenue and EBITDA to be higher in the second half of 2018, with a full year 2018 forecast EBITDA after FX and before restructuring costs in a range of $19.0 million to $22.0 million. The range assumed no material adverse movement in the AUD/USD. The 2018 full year EBITDA after FX was $20.1 million. Second half 2018 Total Revenue was $52.5 million, compared with $49.2 million in the first half of 2018, and EBITDA after FX in the second half of 2018 was $10.7 million compared with $9.4 million in the first half of 2018. Associated with the Trading Update, the Company advised that a restructuring program had been undertaken towards the end of the first half of the year. The restructuring is expected to generate cost savings from the 2019 financial year although with the likelihood that these savings will be offset in whole or part by increased investment in market and professional development. $1.9 million in restructuring costs were incurred in 2018, mainly related to redundancies.

Principal operational and business activities during the year included:

- increased business development and marketing activities, designed to generate additional business and enhance DCC/FPA's position in specific geographies and industry sectors to enhance future revenue generation;
- in line with the Group's incremental business approach, the lateral recruitment of two experienced intellectual property teams; one to DCC and one to FPA, occurred during the year;
- the appointment of a corporate law legal team to DCC, effective 1 July 2018, to offer a wider range of services, including corporate and private client advisory services, merger and acquisition and tax and property advisory services. These services are complementary to DCC Law's current offerings and are ones which some of its clients have requested and which DCC is now in a position to provide;
- promotion of 17 professionals across the Group in July 2017; 33% involved promotions of female professional staff and a further 23 promotions after 1 July 2018, 65% of which were female;
- the implementation of incentive arrangements for new principals, facilitated through the establishment of an Employee Share Trust;
- continued activities to establish common and integrated systems in DCC and FPA, designed to improve the efficiency of information technology, data management and customer relationships systems. Programs included the implementation of an integrated payroll system; electronic file and data management system across the business and further progress on the implementation of a common financial reporting system;
- business reconfiguration and efficiency initiatives implemented during the first half of the year with a number of positions either being made redundant or subject to early retirement as well as a reduction in back office costs. These initiatives sought to align business resourcing to market conditions. Restructuring and corporate acquisition costs of $2.3 million were incurred; and
- the Board and management continued to identify and pursue growth opportunities, including acquisition opportunities, that have both a strategic rationale and financial merit. These activities led to one opportunity being progressed: the acquisition of Malaysian intellectual property firm, Advanz Fidelis (finalised on 2 July 2018).

4. Operational and financial review (continued)

4.1. Business conditions

Business conditions in the 2018 financial year were primarily marked by the following features:

- Group patent applications or filings in 2018 declined marginally overall (down 0.6%), with Patent Cooperation Treaty ('PCT') and rest of world applications both higher and at record levels for the Group. This continued an encouraging trend, evident during the second half of the year, and is a positive indicator for the potential flow through of future period prosecution and advisory work;
- Group Australia patent applications decreased year-on-year by 6.2%, although applications in the second half 2018 increased by 12.0% compared to the first half;
- Group Singapore based applications, although a small part of the total, decreased 18.4% year-on-year;
- trade mark applications, advisory and renewal work continued to grow, with Australian trade mark filings for DCC up 3.0%; and
- legal and litigation service provision, with a higher contribution from this area to Group revenues.

4.2. Financial Results – Key Elements

The main features of the 2018 financial results are provided below.

Revenue

Total Revenue was $101.7 million for the year, a 1.5% decline (2017: $103.2 million). Total Revenue comprised:

- Service Charges revenue of $76.5 million, which represented a 4.9% decline (2017: $80.4 million);
- Associate Charges revenue of $25.2 million, which represented a 10.5% increase (2017: $22.8 million). Recoverable expenses, mainly related to Associate Charges, was $23.4 million in 2018, compared with $19.9 million in 2017.

The main features of the service charges revenue outcome for the Group included:

- lower patent revenue of $52.6 million (2017: $57.6 million), mainly associated with a lower level of foreign derived, Australian prosecution and advisory patent business;
- the trade mark business continued to strengthen compared to the prior corresponding period, with increased revenue to $14.3 million (2017: $13.9 million); and
- legal and litigation revenues increased to $9.6 million (2017: $8.9 million).

Associate charges revenue of $25.2 million (2017: $22.8 million) comprised:

- total patent revenue of $20.3 million (2017: $18.6 million); and
- total trade mark revenue of $4.9 million (2017: $4.2 million).

Other income, excluding foreign exchange, was stable at $2.1 million (2017: $2.0 million).

4.3. Total Expenses

Operating expenses declined, with a total of $61.1 million (2017: $61.7 million). Compensation and occupancy costs declined while other operating expenses, which included an increased commitment to marketing and business development activities, were stable year-on-year.

Total Expenses (inclusive of Operating Expenses and Recoverable Expenses from Associate Charges) of $84.5 million, reflecting a 3.6% increase from the 2017 level of $81.6 million.

4. Operational and financial review (continued)

4.4. EBITDA and EBITDA Margin

The Group recorded EBITDA before FX was $19.3 million (2017: $23.6 million), reflecting lower revenue generation. The foreign exchange gain in 2018 was $0.8 million, compared to $0.9 million in 2017. EBITDA after FX was $20.1 million, compared with $24.5 million in 2017. Group EBITDA after FX as a percentage of total revenue was 19.8% (2017: 23.7%). A more appropriate measure of EBITDA margin is to consider EBITDA as a percentage of Service Charges (given Associate Charges are predominantly reversed in Recoverable Expenses). This measure generated an EBITDA margin of 26.3% (2017: 30.5%). The Group recorded stronger second half 2018 financial outcomes, with second half EBITDA before FX increasing by 5.3% compared with the first half of 2018; EBITDA after FX increasing 13.8%. The second half EBITDA as a percentage of Service Charges was 27.8%.

4.5. Depreciation and Amortisation

Depreciation and amortisation in 2018 was $2.1 million compared with $2.0 million in 2017. The slightly higher depreciation level in 2017 reflects expenditure on the shared ICT platform.

4.6. Net Profit after Tax

Group NPAT was $11.9 million compared with $14.8 million in 2017. A tax expense of $5.3 million represents an effective taxation rate of 31%.

4.7. Net Interest and Net Debt

Net interest charges in 2018 were $0.8 million. The Company held total bank facilities of $59.5 million and had $15.7 million drawn as at 30 June 2017 with $8.3 million cash on hand. As at 30 June 2018 the Company had net debt of $8.3 million. Gearing (net debt/net debt + equity) at 30 June 2018 was 10.6%. Gearing, excluding Reorganisation Reserve was 2.5%.

4.8. Operating Cash Flow

Cash flow provided by operating activities for the year was $11.3 million with a net decrease in cash of $5.4 million after investing and financing movements.

4.9. Net Assets

The net assets of the Group have decreased by $1.2 million, from $70.9 million at 30 June 2017 to $69.7 million at 30 June 2018. Trade receivables increased by $2.0 million, offset by an increase in net debt of $1.0 million and an increase in trade and other payables by $1.4 million.

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5. Net profit after tax

The reconciliation table below reconciles statutory net profit after tax ('Statutory NPAT') to underlying NPAT:

	Year ended	
	30-Jun-18	**30-Jun-17**
	$'000	**$'000**
Statutory NPAT	**9,513**	**7,180**
add: DCC LLP pre acquisition NPAT	-	(68)
add: FPA pre acquisition NPAT	-	(2,241)
NPAT – QANTM Group	**9,513**	**4,871**
add: interest	835	978
add: depreciation and amortisation	2,164	1,918
add: tax	4,469	2,867
EBITDA – QANTM Group	**16,981**	**10,634**
add: IPO expenses	-	6,601
add: share based payments	118	958
add: employee incentive payments[1]	742	-
add: retention bonuses	-	4,553
add: reorganisation expenses	-	1,325
add: initial recognition Principal LSL	-	1,684
add: partnership expenditure	-	157
less: notional remuneration adjustment	-	(1,445)
add: restructuring and business acquisition costs	2,304	-
Underlying EBITDA – QANTM Group	**20,145**	**24,467**
less: depreciation and amortisation	(2,164)	(2,036)
less: interest	(835)	(978)
less: tax	(5,284)	(6,683)
Underlying NPAT - QANTM Group	**11,862**	**14,770**

[1] Represent one-off benefit payments to provide selected employees access to the Company's shares, facilitated through the Company's cash contributions to the Employee Share Trust.

6. Business model, strategy, priorities and business sustainability risks

6.1. Business model

QANTM, as a leading publicly listed IP company, offers clients in a range of sectors a suite of services associated with the creation, protection, commercialisation, enforcement and management of IP rights. The services offered are highly specialised and provided through three main entities: Davies Collison Cave (DCC), FPA Patent Attorneys (FPA) and, subsequent to the end of the 2018 financial year, the recently acquired Malaysian business, Advanz Fidelis.

Key characteristics of QANTM have included the following:

- attractive industry dynamics (e.g. historical CAGR of patent filings typically at or above GDP levels);
- DCC and FPA have traded profitably over long periods and through various economic cycles;
- a business model that generates recurring revenue streams, often over periods of 20 years plus;
- regular invoicing of clients with typically low work-in-progress/working capital;
- generally low capital expenditure;
- associated strong cash flow conversion, enabling the payment of dividends and/or re-investment in opportunities for growth;
- an attractive EBITDA margin structure;
- favourable industry dynamics and growth prospects in developing economies; and
- high barriers to entry associated with the importance of reputable, technically qualified patent attorneys, long term client relationships and information systems for patents and trade mark recording.

6.2. Strategy

QANTM's strategic focus is based on revenue growth and client retention through offering consistently superior IP services and market development activities; evaluating and, where appropriate based on strategic and financial grounds, pursuing appropriate acquisition opportunities; attracting and retaining high quality professionals; and from the foregoing activities the delivery of appropriate shareholder returns.

The current main elements of QANTM's strategic focus include:

- focus on revenue growth from the existing business model, via new patent and trade mark applications, prosecution, advisory services and patent renewals;
- provision of patent litigation and other services to both domestic and international clients, with business generated from both QANTM's entities as well as outside clients;
- development and expansion of an intellectual property services business in Asia. This was initially executed through a strategy of establishing a Singapore office presence which entailed managing clients' Asian portfolios and filings and building a local originating presence drawing upon the firm's technical expertise, as well as selective professional appointments. More recently, this has entailed the evaluation of appropriate acquisition opportunities to increase the scale and interlinkage of QANTM's Asian presence. This was reflected in the acquisition of Advanz Fidelis, announced towards the end of the financial year with the transaction completed, subject to certain work out arrangements, on 2 July 2018;
- delivering of synergies and common operating efficiency savings, including implementation of an ICT platform, back office rationalisation and investment in innovative technical systems; and
- maintaining and enhancing internal organisational capabilities through the attraction, retention and provision of career advancement and professional training opportunities of professional personnel and provision of share based incentive arrangements aligned to shareholder interests.

6. Business model, strategy, priorities and business sustainability risks (continued)

6.3. Priorities

The outlook and priorities for QANTM's business operations over the next twelve months include the following factors:

- the expected stabilisation of a recent trend of lower than historical rates of Australian patent applications;
- subject to the situation for Australian patent prosecution outcomes, the potential for higher levels of prosecution and advisory revenue associated with the favourable recent trends in Group PCT and rest of world patent application growth;
- an increased focus on marketing and business development activities, for the purpose of enhancing revenue generation from existing clients, through the interchange of services across parts of the Group and by the generation of new business. This has and will include a greater level of principal commitment, in terms of time, to current and prospective client engagement through direct means, conference and associational participation and other professional activities;
- the provision of new service offerings which broaden the Group's professional services to a range of sophisticated clients;
- an increased contribution from the Group's Asian presence, through the interchange of IP services across Australia, Singapore and the recently acquired Malaysian business;
- delivery of cost savings associated with the restructuring initiatives undertaken in the first half of 2018, as well as further efficiencies from the establishment of common ICT systems, for example payroll and financial reporting, although with the likelihood that these savings will be offset in whole or part by increased investment in marketing and professional development;
- the continued focus on the attraction, retention and career enhancement of multi-disciplinary professionals, including by share based arrangements which encourages retention of key personnel and an alignment of their interests with those of shareholders; and
- a continued evaluation and, where appropriate, pursuit of acquisition opportunities that fulfil both the Group's strategic and financial requirements.

6.4. Business Sustainability Risks

The operating environment for QANTM entails business risks and opportunities that could have an effect on the financial prospects of the Group. These risks include, but are not restricted to the following:

IP services competitive marketplace

The market for the provision of IP related services is subject to competition from other listed entities, private firms and other specialist providers, as well as the potential threat associated with some part of a client's IP requirements being in-sourced. Any change in the Group's competitive position or the competitive landscape may have an adverse impact upon the financial performance of the Group. These changes may include: loss of key clients; loss of key associate referral arrangements in other jurisdictions; adoption of new forms of technology for the provision of IP services; competitive actions in terms of pricing strategies to attract business and/or regulatory changes.

Retention of professionals

The nature of the services provided by the Group are fundamentally based on the intellectual knowledge, industry experience and client knowledge of key professional staff. The loss of key professionals poses a risk to the quality of the Group's service offering and potential revenue generation. Management continually considers approaches to attract, retain and facilitate the career and professional development of key personnel. This includes facilitating professional development through education, courses and involvement in professional associations; promotion of individuals on an annual basis – including to Principal – and where, practicable, role or geographical rotation. A process of determining succession planning arrangements for key personnel, including the Chief Executive Officer is a forthcoming priority.

6. Business model, strategy, priorities and business sustainability risks (continued)

Technology

The Group relies on ICT networks and systems to process, transmit and store electronic and financial information, to manage a variety of business processes and activities such as client documents, communication with clients and regulators, financial management and reporting, database management and to comply with regulatory, legal and tax requirements. If the Group's ICT systems suffer severe damage, disruption or shutdown and the issues are not effectively resolved in a timely manner, then the Group's revenue, financial condition and results of operations may be materially and adversely affected and the Group may breach regulatory requirements. Any failure of the Group's ICT systems may result in the inability to file or prosecute the IP rights of their clients within statutory deadlines. Such a failure could result in the Group's clients forfeiting IP rights to which they would have otherwise been entitled. These events could lead to financial loss for the Group in the event that aggrieved clients initiate legal action against the Group. Depending on the circumstances the Group's insurance may be insufficient to cover some or all of the loss incurred.

Management maintains a prioritised ranking of such risks and addresses their mitigation and with external advisers where necessary.

For further details refer to the Company's Corporate Governance Statement at www.qantmip.com.au

7. Significant changes in state of affairs

There were no other significant changes in the state of affairs of the Group during the financial year

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8. Remuneration Report (Audited)

The directors present the remuneration report for the year ending 30 June 2018. The information provided in this report has been audited as required by section 300A of the Corporations Act 2001.

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of the Group's key management personnel (KMP) for the 2018 financial year. KMP refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

The report has been divided into the following sections:
- Identification of the KMPs;
- Role of the People, Remuneration and Culture Committee;
- Non-Executive Director's remuneration;
- Executive remuneration framework;
- Relationship between the remuneration policy and Group performance;
- Key terms of employment contracts; and
- Remuneration of KMP.

8.1. Key Management Personnel

The directors and other KMP of the Group during, or since the end of the financial year, were:

Non-Executive Director	**Position**
Mr Richard England	Non-Executive Chairman
Ms Abigail Cheadle	Non-Executive Director
Mr Cameron Judson	Non-Executive Director
Ms Sonia Petering	Non-Executive Director

Executive Director	**Position**
Mr Leon Allen	Managing Director and Chief Executive Officer (CEO)

Executive Officers	**Position**
Mr Warren Howe[1]	Chief Financial Officer (CFO) and Company Secretary
Mr Martin Cleaver[2]	Chief Financial Officer (CFO) and Company Secretary
Mr James Cherry	FPA Managing Principal
Mr Michael Wolnizer	DCC Principal and National Management Committee Chairperson
Mr David Webber	DCC Patent Managing Principal
Mr Adam Sears	DCC Trade Mark Managing Principal
Mr Christopher Jordan	DCC Law Managing Principal

[1] Ceased as a KMP on 30 August 2017.
[2] Commenced with the Group on 30 August 2017.

The named persons held their current position for the whole of the financial year, unless otherwise indicated.

8. Remuneration Report (Audited) (continued)

8.2. Role of the People, Remuneration and Culture Committee

The Board has established a People, Remuneration and Culture Committee ("PRCC") which operates in accordance with its charter as approved by the Board. The PRCC assists and advises the Board on remuneration policies and practices for the Board, the Managing Director and CEO, the CFO, and any other KMP.

The objective of the Committee is to help the Board fulfil its statutory, fiduciary and regulatory responsibilities and achieve its objectives so that the Company:

- has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- has coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders;
- observes those remuneration policies and practices; and
- fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executives and the general external pay environment.

The PRCC is also responsible for:

- reviewing the remuneration of Non-Executive Directors for serving on the Board and any Committee (both individually and in total) and making recommendations to the Board having regard to market trends;
- annually considering and making recommendations to the Board on the executive's total remuneration having regard to executive remuneration and incentive policies;
- determining if shareholder approval is needed for any change to remuneration of directors or executives;
- reviewing and making recommendations to the Board on the recommendation of the Managing Director and CEO:
    - the total remuneration (including incentive awards, equity awards, and retirement and termination payments);
    - the terms of engagement; and
    - any changes to the total remuneration and terms of employment, of direct reports of the Managing Director and CEO; and
- recommending to the Board for approval any changes to the remuneration or terms of engagement of the executive directors before implementation.

The PRCC or the Board has not engaged a remuneration consultant to provide remuneration advice or recommendations during the financial year.

8.3. Non-Executive Directors' remuneration

Under the Constitution, the total amount of fees paid to all directors for their services (excluding for these purposes, the salary of an Executive Director) must not exceed in aggregate $850,000 in any financial year. Any change to this aggregate annual sum needs to be approved by shareholders. There is no performance remuneration for Non-Executive Directors.

Directors and the Chairman may also be reimbursed for expenses reasonably incurred in attending to the Company affairs. Non-Executive Directors may be paid such additional or special remuneration as the directors decide is appropriate where a director performs extra work or services which are not in the capacity as a director of the Company or a subsidiary. There are no retirement benefit schemes for directors, other than statutory superannuation contributions.

Details of Non-Executive Director fees, inclusive of committee fees and superannuation, are summarised in the *remuneration of KMP* table of this report.

Each of the Non-Executive Directors has a shareholding providing a direct alignment of interests with the performance of the entire business, and therefore, shareholder interests.

8. Remuneration Report (Audited) (continued)

8.4. Executive remuneration framework

The Company's remuneration policy was transitioned during its first year as a listed entity. As a former partner and previous owner, Managing Director and CEO, Mr. Leon Allen has a substantial shareholding, thereby, providing a direct alignment of interests with the performance of the entire business.

Most of the other senior executives and KMP were partners in the pre-IPO entities and, as a result, have substantial equity ownership in the Company. Likewise, this provides strong alignment between these executives and shareholders' interests. For this reason, these KMP will not participate in the short or long term incentive plans for the initial three year period in alignment with their employment contracts. In addition, the partners in the pre-IPO entities have a two-year restriction period on trading their equity holdings from the date of listing and must remain employed by the Group for at least a three year period.

As the Company recruits new executives, the Company will develop a market focused, competitive remuneration framework to support the attraction and retention of key executive talent. The following summarises the current framework:

Total Fixed Remuneration (TFR)

Executive KMP receive TFR which includes base pay, superannuation and other benefits such as annual leave and long service leave.

Short Term Incentive Plan (STI) – FY18

During FY2018, the Company recruited Mr Cleaver as CFO and Company Secretary. Mr Cleaver was offered a STI plan of up to 20% of TFR. Mr Cleaver was the only participant in the STI plan during FY18. The STI results for the financial year are based on him achieving Key Performance Indicators (KPIs) agreed with the Managing Director and CEO for the period of the financial year that he was employed.

Long Term Incentive Plan (LTI) – FY18

There are currently no participants in the LTI plan as all executive KMP, except for the CFO and Company Secretary, were partners in the pre-IPO entities. During FY19 the Board may invite executives who were not pre-IPO partners, to participate in the LTI plan. The Board will determine the terms of future grants within the Group's Employee Share Plan arrangements.

8.5. Relationship between the remuneration policy and Company performance

The following table provides the key performance measures since the Group was listed in 2016:

Year	Revenue	EBIT	NPAT	Dividends per share	EPS	Share price 30 June
	$000	$000	$000	cents	cents	$
2017	99,520	11,018	7,180	3.6	5.40	$1.27
2018	101,716	14,817	9,513	8.1	7.16	$1.05

FY18 executive incentive outcomes

8. Remuneration Report (Audited) (continued)

Short Term Incentive Plan

Only one executive participated in the STI plan for part of FY18. Mr Cleaver received an STI payment based on achievement of KPIs agreed with the Managing Director and CEO. These were assessed at the end of FY18 when, based on the recommendation of the Managing Director and CEO, the Board approved a payment of $51,200. The following table provides details of the proportion of the STI that vested:

Name	STI Opportunity	% Achieved	% Forfeited
M Cleaver	20% of TFR	16%	4%

Mr Cleaver's STI payment was based on a combination of Company performance and achievement of individual KPIs, based on business improvement initiatives and successful M&A activity, since his commencement as CFO on 30 August 2017. These KPIs were assessed by the PRCC and were chosen to drive objectives of the business.

Long Term Incentive Plan

There are currently no participants in the LTI Plan, and therefore no performance rights vested during FY18. Mr Howe's participation ceased on 30 August 2017.

Executive remuneration mix

The relative proportions of KMP remuneration that are linked to performance:

	Fixed remuneration		Remuneration linked to performance	
	2018	2017	2018	2017
Executive Director				
Mr Leon Allen	100%	100%	-	-
Executive Officers				
Mr Warren Howe [1]	100%	87%	-	13%
Mr Martin Cleaver [2]	86%	-	14%	-
Mr James Cherry	100%	100%	-	-
Mr Michael Wolnizer	100%	100%	-	-
Mr David Webber	100%	100%	-	-
Mr Adam Sears	100%	100%	-	-
Mr Christopher Jordan	100%	100%	-	-

8. Remuneration Report (Audited) (continued)

8.6. Key terms of employment contracts

Employment contracts formalising the employment of the KMP are set our below:

	Terms of agreement	Base salary[1]	Notice period
Executive Director			
Mr Leon Allen	3 years (31 Aug 2016 – 31 Aug 2019)	$232,648	6 months
Executive Officers			
Mr Martin Cleaver	30 August 2017 to unspecified date	$292,237	12 weeks
Mr James Cherry	3 years (31 Aug 2016 – 31 Aug 2019)	$232,648	6 months
Mr Michael Wolnizer	3 years (31 Aug 2016 – 31 Aug 2019)	$232,648	6 months
Mr David Webber	3 years (31 Aug 2016 – 31 Aug 2019)	$232,648	6 months
Mr Adam Sears	3 years (31 Aug 2016 – 31 Aug 2019)	$232,648	6 months
Mr Christopher Jordan	3 years (31 Aug 2016 – 31 Aug 2019)	$232,648	6 months

Where the terms of the agreement indicate a specified end date, this is the minimum period of engagement, after which employment continues unless otherwise terminated.

[1] Excluding superannuation. Subject to annual Consumer Price Index adjustments.

8.7. Termination arrangements for Mr Warren Howe – former CFO and Company Secretary

Mr Warren Howe ceased as the CFO and Company Secretary on 30 August 2017. In accordance with his contract terms he was paid $75,000, being 3 months in lieu of notice, as well as his statutory entitlements. Rights which were granted to Mr Howe during his employment lapsed on his cessation of employment.

8. Remuneration Report (Audited) (continued)

8.8. Remuneration of KMP

		Short term employee benefits					Long term Employee benefits		
	Year	Salary and fees $	Cash bonus $	Non-Monetary[7] $	Other $	Post employment benefits *Superannuation* $	Long service and other Leave[5] $	Share based payments $	Total $
Non-Executive Directors									
Mr Richard England	2018	190,000	-	-	-	-	-	-	190,000
	2017	200,000	-	-	-	-	-	150,000	350,000
Ms Abigail Cheadle	2018	114,000	-	-	-	-	-	-	114,000
	2017	120,000	-	-	-	-	-	100,000	220,000
Mr Cameron Judson	2018	114,000	-	-	48,000[1]	-	-	-	162,000
	2017	120,000	-	-	-	-	-	50,000	170,000
Ms Sonia Petering	2018	114,000	-	-	-	-	-	-	114,000
	2017	120,000	-	-	-	-	-	50,000	170,000
Executive Director									
Mr Leon Allen[8]	2018	224,318	-	18,952	-	21,768	5,540	-	270,578
	2017	190,155	-	8,939	-	18,065	46,937	-	264,096
Executive Officers									
Mr Warren Howe[2]	2018	42,150	-	-	75,000[4]	4,004	-	-	121,154
	2017	286,415	-	-	-	26,027	3,637	-	316,079
Mr Martin Cleaver[3]	2018	244,746	46,758	-	-	25,752	4,652	-	321,908
	2017	-	-	-	-	-	-	-	-
Mr James Cherry[8]	2018	231,925	-	13,169	-	20,049	4,289	-	269,432
	2017	202,550	-	5,944	-	16,338	17,513	-	242,345
Mr Michael Wolnizer[6]	2018	224,318	-	18,952	-	22,023	6,109	-	271,402
	2017	71,946	-	3,176	-	6,418	65,376	-	146,916
Mr David Webber[8]	2018	221,181	-	19,112	-	25,000	7,096	-	272,389
	2017	196,302	-	8,939	-	18,065	117,185	-	340,491
Mr Adam Sears[8]	2018	222,156	-	18,137	-	25,000	5,424	-	270,717
	2017	200,692	-	8,939	-	18,065	29,374	-	257,070
Mr Christopher Jordan[8]	2018	224,318	-	18,952	-	21,343	5,591	-	270,204
	2017	190,155	-	8,939	-	18,065	38,155	-	255,314

8. Remuneration Report (Audited) (continued)

8.8 Remuneration of KMP (continued)

Explanatory notes to the table on the preceding page:

1. Mr Judson received $48,000 during FY18 for the provision of M&A and HR consulting services
2. Mr Howe ceased as the CFO and Company Secretary on 30 August 2017. The above remuneration is for the period of the year that he was a KMP.
3. Mr Cleaver commenced with the Group as CFO and Company Secretary on 30 August 2017
4. Represents annual leave and Mr Howe's termination payment
5. The current balance represents the movement during the year. The prior year balance represents long service leave and other leave (comprising contractual entitlements arising on listing of QANTM in August 2016).
6. Mr Wolnizer was appointed to DCC National Management Committee Chair in March 2017
7. Includes car parking and salary sacrifice of accounting fees
8. KMP from listing date on 31 August 2017.

No KMP appointed during the period received a payment as part of their consideration for agreeing to hold the position.

Bonuses and share-based payments granted as compensation for FY18

Cash bonuses

Mr Cleaver received a total cash bonus of $51,200 for FY18

Employee retention rights plan

The Company established a retention rights plan to assist with retaining KMPs who were not associated with the pre-IPO owners. Each retention right is capable of conversion into a fully paid share after a two-year vesting period. Vesting is not conditional on any performance conditions, being conditional only by reference to continued service for the two-year vesting period. At the end of FY18 there are no current KMP participants in the retention rights plan.

Details of share-based payments granted as compensation to KMP during the current financial year:

Name	Balance at 1 July 2017	Number granted	Number vested	Number forfeited	Percentage of grant vested	Percentage of grant forfeited	Balance at 30 June 2018
Warren Howe	15,765	-	-	15,765	0%	100%	-

No retention rights were granted during FY18.

Value of performance share rights granted, exercised and expired / forfeited in FY18

Name	Financial year granted	Fair value at grant date per right	Vested during FY18	Forfeited / expired	Accounting value of expired / forfeited	Maximum value yet to vest
		$	%	$	$	$
Warren Howe	2017	1.89	-	29,796	29,796	-

8. Remuneration Report (Audited) (continued)

Number of performance share rights granted, exercised and expired / forfeited in FY18

		Vested during FY18			
Name	**Balance at Start of Year**	**Number exercised**	**Number forfeited**	**Total Vested & Un-exercised at End of Year**	**Balance at End of Year**
Warren Howe	15,765	-	15,765	-	-

KMP equity holdings

The number of shares in the Company held during FY18 by each director, and KMP, including a close member of the family of that person or an entity over which the person or the family member has, either directly or indirectly, control, joint control or significant influence, are set out below:

	Balance at 1 July 2017	**Granted as compensati on during the year**	**Received on exercise of rights during the year**	**Other changes during the year**	**Balance at 30 June 2018**
Name	**Number of ordinary shares**	**Number of ordinary shares**	**Number or ordinary shares**	**Number of ordinary shares**	**Number of ordinary shares**
Mr Richard England	135,134	-	-	-	135,134
Ms Abigail Cheadle	90,090	-	-	-	90,090
Mr Cameron Judson	45,044	-	-	-	45,044
Ms Sonia Petering	45,044	-	-	-	45,044
Mr Leon Allen	2,037,227	-	-	-	2,037,227
Mr Warren Howe	-	-	-	-	-
Mr Martin Cleaver	-	-	-	6,000	6,000
Mr James Cherry	2,899,325	-	-	-	2,899,325
Mr Michael Wolnizer	2,037,226	-	-	8,702	2,045,928
Mr David Webber	2,046,236	-	-	-	2,046,236
Mr Adam Sears	2,061,693	-	-	-	2,061,693
Mr Christopher Jordan	2,047,226	-	-	-	2,047,226

9. Dividends paid or recommended

The following dividend was paid or declared during the period:

Interim fully franked ordinary dividend of 2.8 cents per share paid on 28 March 2018: $3,721,200

In respect of the year ended 30 June 2018, the directors resolved to pay a fully franked final dividend of 4.3 cents per share. The record date will be 5 September. As such the dividend has not been included as a liability in these financial statements. The total dividend to be paid is $5.7 million (2017: $7 million).

10. Events after the reporting date

On 2 July 2018, the Company finalised the acquisition of the Malaysian intellectual property company, Advanz Fidellis IP Sdn Bhd ('AFIP') (formerly Advanz Fidelis Sdn Bhd). The acquisition involved an upfront cash payment of AUD 3.05 million with further payments subject to agreed earn-out arrangements over an 18 month period, representing 6.5 times normalised EBITDA. The acquisition forms part of QANTM's willingness to pursue incremental acquisition opportunities that expand the group's intellectual property client base and revenue generation potential. The acquisition supplements the Company's existing South-East Asian operation in Singapore.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

11. Future developments and results

A summary of the business strategy, results outlook and priorities is provided at item 6 of this Directors report.

12. Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

13. Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all of those proceedings.

14. Rounding of amounts

The Company has applied the relief available to it under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Accordingly, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

15. Indemnification and insurance of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the Company secretaries and all executive officers of the Company and of any related body corporate against a liability that could be incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contract.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

16. Non-audit services

There were no amounts paid or payable to the auditor for non-assurance services provided during the financial year.

17. Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2018 has been received and can be found on page 25 of the financial report.

18. Corporate Governance

The Board and management of QANTM are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed and provides reasons for not following such Recommendations (Corporate Governance Statement).

The Corporate Governance Statement is accurate and up to date as at 28 August 2018 and has been approved by the Board and is available for review on the Company's website (www.qantmip.com) and will be lodged together with an Appendix 4G at the same time that this Financial Report is lodged with the ASX.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Chairman: ....
Richard England

Dated this 29th day of August 2018.

Deloitte.

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

29 August 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 audit of the financial statements of QANTM Intellectual Property Limited for the financial year ended 30 June 2018, 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 audit; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Gerard Belleville

Gerard Belleville
Partner
Chartered Accountant

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2018

	Note	2018 $'000	2017 $'000
Service charges		**76,511**	77,456
Associate charges		**25,205**	22,064
Total revenue		**101,716**	99,520
Other income	3	**2,899**	2,896
Employee benefits expenses		**(44,756)**	(45,106)
Recoverable expenses		**(23,382)**	(19,293)
Occupancy expenses	4	**(6,485)**	(6,313)
Restructuring and business acquisition expenses	4	**(2,304)**	-
Other expenses	4	**(10,707)**	(18,789)
Earnings before depreciation and amortisation, finance costs and income tax		**16,981**	12,915
Depreciation and amortisation		**(2,164)**	(1,897)
Earnings before finance costs and income tax		**14,817**	11,018
Finance costs		**(835)**	(970)
Profit before income tax		**13,982**	10,048
Income tax expense	5	**(4,469)**	(2,868)
Net profit for the year		**9,513**	7,180
Other comprehensive income, net of income tax			
Other comprehensive income		**-**	-
Total comprehensive income for the year		**9,513**	7,180
Net profit attributable to:			
Members of the parent entity		**9,513**	7,180
Total comprehensive income attributable to:			
Members of the parent entity		**9,513**	7,180
Earnings per share			
Basic earnings per share (cents)	21	**7.16**	5.40
Diluted earnings per share (cents)	21	**7.15**	5.40

The accompanying notes form part of these financial statements.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Consolidated Statement of Financial Position

As At 30 June 2018

	Note	2018 $'000	2017 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	**3,093**	8,340
Trade and other receivables	7	**31,578**	29,563
Other financial assets	8	**-**	269
Other assets	9	**1,239**	1,143
Total current assets		**35,910**	39,315
NON-CURRENT ASSETS			
Property, plant and equipment	10	**2,663**	2,332
Intangible assets	11	**66,294**	67,074
Other assets	9	**8**	72
Total non-current assets		**68,965**	69,478
TOTAL ASSETS		**104,875**	108,793
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	**9,461**	8,073
Provisions	13	**6,402**	6,454
Borrowings	14	**226**	581
Current income tax liabilities		**3,182**	3,538
Other financial liabilities	15	**84**	-
Total current liabilities		**19,355**	18,646
NON-CURRENT LIABILITIES			
Provisions	13	**2,800**	2,677
Borrowings	14	**11,249**	15,095
Deferred income tax liabilities	16	**1,751**	1,521
Total non-current liabilities		**15,800**	19,293
TOTAL LIABILITIES		**35,155**	37,939
NET ASSETS		**69,720**	70,854
EQUITY			
Issued capital	17	**293,798**	293,798
Reserves	18	**(222,612)**	(222,730)
Accumulated losses	19	**(1,466)**	(214)
TOTAL EQUITY		**69,720**	70,854

The accompanying notes form part of these financial statements.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2018

2017

	Issued Capital $'000	Reorganisation Reserve $'000	Share Based Payment Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2016	**-**	**-**	**-**	**(23,607)**	**(23,607)**
Profit attributable to members of the parent entity	-	-	-	7,180	7,180
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**7,180**	**7,180**
Transactions with owners in their capacity as owners					
Capital raising	30,827	-	-	-	30,827
Shares issued to DCC Partners	202,116	(200,866)	-	-	1,250
Shares issued to FPA Partners	61,266	-	-	-	61,266
Employee Share Schemes	830	-	126	-	956
Equity raising costs net of tax	(1,241)	-	-	-	(1,241)
Dividends paid	-	-	-	(4,785)	(4,785)
Distributions to previous owners	-	-	-	(992)	(992)
Reallocation of retained earnings at reorganisation date	-	(21,990)	-	21,990	-
Balance at 30 June 2017	**293,798**	**(222,856)**	**126**	**(214)**	**70,854**

2018

	Issued Capital $'000	Reorganisation Reserve $'000	Share Based Payment Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2017	**293,798**	**(222,856)**	**126**	**(214)**	**70,854**
Profit attributable to members of the parent entity	**-**	**-**	**-**	**9,513**	**9,513**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**-**	**-**	**9,513**	**9,513**
Transactions with owners in their capacity as owners					
Employee share schemes	**-**	**-**	**118**	**-**	**118**
Dividends paid	**-**	**-**	**-**	**(10,765)**	**(10,765)**
Balance at 30 June 2018	**293,798**	**(222,856)**	**244**	**(1,466)**	**69,720**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2018

	Note	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**105,899**	108,835
Payments to suppliers and employees		**(89,225)**	(86,565)
Interest and costs of finance paid		**(781)**	(1,088)
Income tax paid		**(4,595)**	(2,024)
Net cash generated from operating activities	32	**11,298**	19,158
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash acquired		**-**	2,327
Proceeds from disposal of sale of property, plant and equipment		**-**	703
Payments for purchase of property, plant and equipment		**(1,490)**	(1,311)
Purchase of intangible assets		**(225)**	(38)
Loans to related entities		**-**	(507)
Net cash provided by / (used in) investing activities		**(1,715)**	1,174
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of new shares		**-**	30,827
Proceeds from bank borrowings		**-**	15,026
Repayment of bank borrowings		**(4,201)**	(15,942)
Repayment of previous owner borrowings		**-**	(25,895)
Distributions paid to previous owners		**-**	(1,039)
Forward exchange contracts settlement		**-**	(835)
Transaction costs relating to issue of new shares		**-**	(9,892)
Dividends paid		**(10,765)**	(4,785)
Net cash used in financing activities		**(14,966)**	(12,535)
Net increase/ (decrease) in cash and cash equivalents		**(5,383)**	7,797
Effects of exchange rate changes on the balance of cash held in foreign currencies		**136**	23
Cash and cash equivalents at beginning of year		**8,340**	520
Cash and cash equivalents at end of year	6	**3,093**	8,340

The accompanying notes form part of these financial statements.

1 Summary of Significant Accounting Policies (continued)

General Information

The financial statements cover QANTM Intellectual Property Limited as a Group, consisting of QANTM Intellectual Property Limited and the entities it controlled at the end of, or during, the year.

QANTM Intellectual Property Limited is a listed public company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Statement of Compliance

These financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 August 2018.

Basis of Preparation

The financial statements have been prepared on an accruals and historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. The financial statements are presented in Australian dollars (unless otherwise noted), which is QANTM's functional and presentation currency.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

1 Summary of Significant Accounting Policies

(a) Group reorganisation reserve

The reserve relates to transactions that have historically been accounted for as a group reorganisation of entities under common control (Davies Collison Cave Pty Ltd, Davies Collison Law Pty Ltd and Davies Collison Cave Asia Pte Ltd) at predecessor carrying value. The assets and liabilities of these entities have not been remeasured at fair value, nor has any goodwill arisen. The difference between the fair value of consideration given and the carrying values of the assets and liabilities acquired by QANTM Intellectual Property Limited has been recognised within equity as part of the "Group Reorganisation Reserve".

(b) Principles of Consolidation

The consolidated financial statements incorporate all the assets, liabilities and results of the parent QANTM Intellectual Property Limited and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 26.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

1 Summary of Significant Accounting Policies (continued)

(b) Principles of Consolidation (continued)

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(c) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. After initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

i) the consideration transferred;

ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and

iii) the acquisition date fair value of any previously held equity interest; over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

1 Summary of Significant Accounting Policies (continued)

(c) Business combinations (continued)

Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue recognition relating to the provision of services, including associate charges, is determined with reference to the stage of completion of the transaction at the end of the reporting period and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent the related expenditure is recoverable.

Total revenue comprises Service Charges and Associate Charges. Service Charge revenue is earned by providing professional services to clients for ongoing protection of intellectual property. Associate Charge revenue includes revenue from recharging, as Principal, the cost of arranging for intellectual property protection in other jurisdictions and revenue from recharging the fees of barristers and other experts.

Other revenue is recognised when it is received or when the right to receive payment is established.

All revenue is stated net of the amount of GST.

Interest revenue

Interest is recognised using the effective interest method.

Work in progress

Work in progress (WIP) represents costs incurred and profit recognised on client assignments and services that are in progress at balance date. WIP is valued at net realisable value after providing for any foreseeable losses. WIP older than 90 days is reviewed and any WIP considered not recoverable is written off.

1 Summary of Significant Accounting Policies (continued)

(e) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of QANTM, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(f) Recoverable expenses

Recoverable expenses are payments such as to foreign agents that lodge applications in countries primarily outside of those countries in which the Group acts directly before the national intellectual property office, are recognised as an expense as incurred and, to the extent recoverable, as revenue.

(g) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117 and measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136 'Impairment of Assets'.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

1 Summary of Significant Accounting Policies (continued)

(h) Foreign currency transactions and balances

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Australian dollars ('$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars as follows:

- income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used;
- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the balance date; and
- all resulting exchange differences are recognised in other comprehensive income.

(i) Income tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group. Consequently, all members of the tax-consolidated group will be treated as a single entity for Australian income tax purposes. The head company of the tax consolidated group will be QANTM Intellectual Property Limited.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (parent in the tax-consolidated group).

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the group or that have a different tax consequence at the head entity level of the group.

1 Summary of Significant Accounting Policies (continued)

(i) Income tax (continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the head entity level of the Group.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than because of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments except where the Group can control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the way the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

The change in legal structure on listing caused a change in the tax status of the operations. This change in tax status has been included in profit and loss for the period. Transactions and events with tax consequences which are recognised outside of the profit and loss statement, the impact of the change in tax status is also recognised outside of the profit and loss statement.

Deferred tax measurement relating to indefinite life intangible assets

The IFRS Interpretations Committee had issued its agenda decision relating to the expected manner of recovery of indefinite life intangible assets. The Committee was asked to clarify how an entity determines the expected manner of recovery of an intangible asset with an indefinite useful life for deferred tax measurement purposes. The Committee indicated that the fact that an entity does not amortise an indefinite life intangible asset does not necessarily mean that the carrying amount will be recovered only through sale and not use. Therefore the entity should determine the expected manner of recovery of the carrying amount of the intangible asset. The Group has implemented this guidance.

1 Summary of Significant Accounting Policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short term deposits with an original maturity of three months or less held at call with financial institutions.

Bank overdrafts also form part of cash equivalents for the purpose of the consolidated statement of cash flows and are presented within current liabilities on the consolidated statement of financial position.

(k) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties.

Non derivative financial liabilities are recognised at amortised cost using the effective interest method.

Trade and other payables represent the liabilities for goods and services received that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 90 days of recognition of the liability.

Trade accounts payable comprise the original debt less principal payments plus, where applicable, any accrued interest.

Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The carrying amount of financial assets is reviewed annually by the directors' to assess whether there is any objective evidence that a financial asset is impaired. Where such objective evidence exists, the Company recognises impairment losses.

1 Summary of Significant Accounting Policies (continued)

(l) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Group, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The estimated useful lives used for each class of depreciable asset are shown below:

Class of fixed asset	Estimated useful lives
Leasehold improvements	Term of lease
Motor Vehicles	3-5 years
Office Equipment	5-15 years
Assets under finance	Term of lease

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(m) Intangibles

Intangible assets acquired as part of a business combination, are measured at their fair value at the date of acquisition.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and it is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit and loss and not subsequently reversed.

1 Summary of Significant Accounting Policies (continued)

(m) Intangibles (continued)

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

Customer Relationships

Customer relationships are the assessed value of the supply of goods and services that exist at the date of acquisition. In valuing customer relationships, consideration is given to historic customer retention and decay statistics, projected future cash flows and appropriate capital charges.

Customer relationships are amortised over a period of 20 years. The estimated useful lives, residual values and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Brand Names

Brand names are intangible assets with indefinite useful lives that are acquired separately and are carried at cost less accumulated impairment losses.

Brand names are not amortised but are tested for impairment annually.

Goodwill

Goodwill is not amortised but is tested for impairment annually and when there are indicators of impairment. Goodwill is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Amortisation rates

Class of intangibles	Amortisation rate	Amortisation basis
Client relationships	20 years	Straight line
Software	5 years	Straight line

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

1 Summary of Significant Accounting Policies (continued)

(n) Impairment of assets

Goodwill and other assets that have an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136 'Impairment of Assets'. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

For the purposes of impairment testing, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(p) Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leases are classified as either operating lease or finance lease based on the transfer of significant risks and rewards of ownership.

If lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1 Summary of Significant Accounting Policies (continued)

(q) Employee benefits

Short and long-term employee benefit

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled. The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Defined contribution superannuation benefits

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

(r) Goods and services tax (GST)

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 Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows in the consolidated statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

1 Summary of Significant Accounting Policies (continued)

(s) Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

(t) Borrowing costs

All borrowing costs are amortised over the term of the borrowings.

(u) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

(w) Rounding of Amounts

The Company has applied the relief available to it under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Accordingly, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

(x) Critical Accounting Estimates and Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events; management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

1 Statement of Significant Accounting Policies (continued)

(x) Critical Accounting Estimates and Judgements (Continued)

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below:

Key judgement and sources of estimation uncertainty

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1(n).Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating unit to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the impairment testing are in Note11.

(y) New Accounting Standards and Interpretations

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: *Financial Instruments and associated Amending Standards* (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments and revised recognition and derecognition requirements for financial instruments.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. The Group's assessment of the requirements of AASB 9 is that it will not have a material impact upon adoption and no transition adjustment is required.

AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on, or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards - Effective Date of AASB 15)*. When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model.

Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

1 Statement of Significant Accounting Policies (continued)

(y) New Accounting Standards and Interpretations (continued)

The Group has progressed its assessment of each of the five-steps outlined above for the key different forms of contracts with customers across the business. As a result, the directors anticipate an immaterial financial impact for the year ended 30 June 2019. Critical to the assessment is the determination of when the performance obligation created by a contract with a customer (defined as an agreement between QANTM and its customer that creates enforceable rights and obligations) is satisfied. The Group continues to complete a review of certain customer arrangements however there is not expected to be material change to the impact assessment.

The Group will adopt the standard from 1 July 2018 and has elected to apply the standard in the year of application, thereby recognise the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity at 1 July 2018.

AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. The primary impact to the Group of the adoption of AASB 16 is expected to be the treatment of premises and leased equipment, whereby the adoption will increase the lease liability and right of use asset. The expense relating to lease payments will reduce and there will be an increase in interest costs. It is not yet possible to provide an estimate of the impact of the above changes (also refer note 31).

2 Segment Information

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.

Major customers

No single customer contributed 10% or more to the Group's revenue during either 2018 or 2017.

3 Other Income

	Note	2018 $'000	2017 $'000
Foreign exchange gains		**794**	848
Other income		**2,105**	2,048
		2,899	2,896

Other income mainly comprises income received from DCC's strategic alliance with CPA Global Limited (CPA). CPA specialises in the provision of patent, design and trade mark maintenance services. Under the agreement with CPA, where DCC clients elect to obtain these services from CPA, DCC receives a commission based on the fees these clients generate for CPA.

	Note	2018 $'000	2017 $'000

4 Expenses

The result for the year includes the following specific expenses:

Operating lease expenses

		2018 $'000	2017 $'000
Operating leases have been taken out for the rental of premises. In the statement of Profit and Loss, these expenses form part of Occupancy expenses.		**5,801**	5,505
Restructuring and business acquisition expenses			
- Restructuring costs		**1,857**	-
- Business acquisition costs		**447**	-
		2,304	-
Other expenses			
- Travel and entertainment		**2,455**	2,042
- Technology costs		**3,338**	3,597
- Marketing		**1,402**	1,231
- IPO Costs		**-**	6,601
- Other expenses		**3,512**	5,318
		10,707	18,789

5 Income Tax Expense

(a) The major components of tax expense comprise:

	Note	2018 $'000	2017 $'000
Current tax expense		**4,225**	5,599
Deferred tax expense	5(b)	**230**	(2,731)
Under/over provision from previous years		**14**	-
Income tax expense	5(c)	**4,469**	2,868

	Note	2018 $'000	2017 $'000

5 Income Tax Expense (continued)

(b) Deferred income tax expense included in income tax expense comprises:

	2018 $'000	2017 $'000
(Increase)/decrease in deferred tax asset	**616**	(2,524)
Decrease in deferred tax liability	**(386)**	(207)
	230	(2,731)

(c) Numerical reconciliation of income tax expense to prima facie tax payable:

	2018 $'000	2017 $'000
Profit before income tax	**13,982**	10,048
Income tax expenses calculated at 30%	**4,195**	3,014
Tax effect of differential corporate tax rate	**-**	(21)
Add tax effect of:		
- Non-deductible expenses	**228**	327
- Other	**46**	5
Less tax effect of:		
- Additional deferred tax recognised during the period	**-**	(140)
- Non-assessable income	**-**	(317)
Income tax expense	**4,469**	2,868
The applicable weighted average effective tax rates are as follows:	**32%**	29%

6 Cash and Cash Equivalents

	2018 $'000	2017 $'000
Cash on hand	**10**	9
Cash at bank	**3,083**	8,331
	3,093	8,340

Notes to the Financial Statements

For the Year Ended 30 June 2018

	Note	2018 $'000	2017 $'000
7 Trade and Other Receivables			
CURRENT			
Trade receivables	7(a)	**31,712**	29,726
Less: Provision for impairment of trade receivables	7(b)	**(615)**	(626)
		31,097	29,100
Other receivables		**481**	463
Total current trade and other receivables		**31,578**	29,563

(a) Aged analysis

	2018 $'000	2017 $'000
The ageing analysis of current trade receivables is as follows:		
0-30 days	**14,062**	13,103
31-60 days	**5,767**	6,906
61-90 days (past due not impaired)	**3,941**	3,530
91+ days (past due not impaired)	**7,420**	5,561
91+ days (past due and impaired)	**522**	626
	31,712	29,726

(b) Impairment of trade receivables

	2018 $'000	2017 $'000
Reconciliation of changes in the provision for impairment of trade receivables is as follows:		
Balance at beginning of the year	**626**	370
Additional provisions recognised	**525**	276
Additions through business combinations	**-**	578
Receivables written off during the year as uncollectable	**(536)**	(598)
Balance at end of the year	**615**	626

	Note	2018 $'000	2017 $'000
8 Other Financial Assets			
CURRENT			
Financial assets at fair value through profit or loss	23	**-**	269
		-	269
9 Other Assets			
CURRENT			
Prepayments		**1,184**	1,097
Deferred borrowing costs[1]		**55**	46
		1,239	1,143
NON-CURRENT			
Deferred borrowing costs[1]		**8**	72
		8	72

[1]Amortised over three years

Notes to the Financial Statements
For the Year Ended 30 June 2018

	Note	2018 $'000	2017 $'000
10 Property, plant and equipment			
Leasehold improvements			
At cost		**1,987**	1,802
Accumulated depreciation		**(1,782)**	(1,263)
Net carrying value of leasehold improvements		**205**	539
Motor vehicles			
At cost		**-**	-
Accumulated depreciation		**-**	-
Net carrying value of motor vehicles		**-**	-
Office equipment			
At cost		**2,800**	2,524
Accumulated depreciation		**(1,177)**	(1,940)
Net carrying value office equipment		**1,623**	584
Assets under finance			
At cost		**1,395**	1,816
Accumulated depreciation		**(560)**	(676)
Net carrying value of assets under finance		**835**	1,140
Total property, plant and equipment		**2,663**	2,332

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leasehold Improvements 000's $	Motor Vehicles 000's $	Office Equipment 000's $	Assets under finance 000's $	Total 000's $
2017					
Opening balance at 1 July 2016	770	703	435	469	2,377
Additions at cost	-	-	238	1,054	1,292
Additions through business combinations	222	-	197	-	419
Disposals - written down value	-	(703)	(4)	-	(707)
Depreciation expense	(453)	-	(282)	(314)	(1,049)
Closing balance at 30 June 2017	539	-	584	1,209	2,332
2018					
Opening balance at 1 July 2017	**539**	**-**	**584**	**1,209**	**2,332**
Additions at cost	**185**	**-**	**1,276**	**29**	**1,490**
Additions through business combinations	**-**	**-**	**-**	**-**	**-**
Disposals - written down value	**-**	**-**	**-**	**-**	**-**
Depreciation expense	**(519)**	**-**	**(237)**	**(403)**	**(1,159)**
Closing balance at 30 June 2018	**205**	**-**	**1,623**	**835**	**2,663**

Notes to the Financial Statements
For the Year Ended 30 June 2018

	Note	2018 $’000	2017 $’000
11 Intangible Assets			
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		**(1,797)**	(825)
Net carrying value of client relationships		**17,503**	18,475
Software			
Balance at beginning of period		**86**	-
Additions at cost		**225**	61
Acquisitions through business combinations		**-**	25
Accumulated amortisation		**(56)**	(23)
Net carrying value of software		**255**	63
Total Intangibles		**66,294**	67,074

(a) Movements in carrying amounts of intangible assets

	Goodwill 000's $	Brand Name 000's $	Client Relationship 000's $	Software 000's $	Total 000's $
2017					
Opening balance at 1 July 2016	-	-	-	-	-
Additions	-	-	-	61	61
Additions through business combinations	45,836	2,700	19,300	25	67,861
Amortisation	-	-	(825)	(23)	(848)
Closing balance at 30 June 2017	45,836	2,700	18,475	63	67,074
2018					
Opening balance at 1 July 2017	**45,836**	**2,700**	**18,475**	**63**	**67,074**
Additions	**-**	**-**	**-**	**225**	**225**
Additions through business combinations	**-**	**-**	**-**	**-**	**-**
Amortisation	**-**	**-**	**(972)**	**(33)**	**(1,005)**
Closing balance at 30 June 2018	**45,836**	**2,700**	**17,503**	**255**	**66,294**

11 Intangible Assets (continued)

(b) Cash-generating unit

The following intangible assets including indefinite life intangible assets goodwill and brand names are allocated to the FPA cash generating unit (CGU) for impairment testing purposes:

	2018 $'000	2017 $'000
Goodwill	**45,836**	45,836
Brand names	**2,700**	2,700
Customer relationships (at amortised cost)	**17,503**	18,475
Software	**255**	63
	66,294	67,074

(c) Impairment testing

In accordance with the Group's accounting policies, the Group performs its impairment testing at least annually for intangible assets with indefinite useful lives. More frequent reviews are performed for indications of impairment of all the Group's assets including customer relationships and operating assets.

In accordance with the Group's accounting policies, the Group has evaluated whether the recoverable amount of the FPA CGU exceeds its carrying amount. The recoverable amount is the higher of an asset's fair value less costs of disposal (FVLCD) and its value in use (VIU). VIU is the present value of the future cash flows expected to be derived from the CGU. The FVLCD methodology was adopted for the prior year assessment. For the current year the VIU model has been used to test the impairment of intangible assets, including goodwill.

Key assumptions

The recoverable amount of the FPA CGU is based on a VIU calculation which projects future cash flows over a five year period with the period beyond five years extrapolated using an estimated growth rate. The cash flows are discounted at an appropriate rate to derive the recoverable amount. The following key assumptions were used:

- Revenue growth of 3.5% - 5% from FY2019 to FY2023;
- Overhead costs based on inflationary impacts offset by ongoing cost efficiencies;
- In the period beyond 5 years a long term growth rate of 3.0%;
- Post-tax discount rate of 11.5% (Pre-tax discount 16.4%).

The assumptions are based on the Group's forecast operating and financial performance of FPA reflecting prior performance, current growth rate achieved and the historic growth of patent applications in Australia. The discount rate is derived from the Group's weighted average cost of capital, adjusted for varying risk profiles. The key assumptions used in the VIU calculations represent management's best estimate at 30 June 2018.
Based on the recoverable amount of the FPA CGU exceeding its aggregate carrying amount at 30 June 2018 there was no impairment charge.

Management's sensitivity analysis of adjusting the VIU calculation for the following changes in key assumptions whilst holding all other assumptions constant indicate the aggregate carrying amount of the FPA CGU exceeding its recoverable amount in a range of $3 million to $5 million:

- An increase in the discount rate of 0.5%
- A decrease in the long term growth rate of 1%
- A decrease in the EBITDA margin of 1%

Consequentially, the calculation is sensitive to reasonably possible changes in the key assumptions which may cause the carrying value of the FPA CGU to exceed its recoverable amount and result in an impairment charge.

Notes to the Financial Statements
For the Year Ended 30 June 2018

12 Trade and Other Payables

	2018 $'000	2017 $'000
CURRENT		
Trade payables	**5,389**	5,511
GST payable	**103**	255
Other payables and accruals	**3,969**	2,307
Total current trade and other payables	**9,461**	8,073

13 Provisions

	2018 $'000	2017 $'000
CURRENT		
Employee benefits	**6,311**	6,423
Lease incentive provisions	**91**	31
Total current provisions	**6,402**	6,454
NON-CURRENT		
Employee benefits	**329**	383
Lease incentive provisions	**2,471**	2,294
Total non-current provisions	**2,800**	2,677

(a) Movement in carrying amounts

	Employee Benefits 000's $	Lease Incentive Provisions 000's $	Total 000's $
Opening balance at 1 July 2016	3,556	2,297	5,853
Additional provisions	4,705	28	4,733
Additional provisions through business combinations	906	-	906
Provisions used	(2,361)	-	(2,361)
Closing balance at 30 June 2017	6,806	2,325	9,131
Additional provisions	3,068	268	3,336
Provisions used	(3,234)	(31)	(3,265)
Closing balance at 30 June 2018	6,640	2,562	9,202

Notes to the Financial Statements

For the Year Ended 30 June 2018

	Note	2018 $'000	2017 $'000
14 Borrowings			
CURRENT			
Leases	31(a)	**226**	581
Total current borrowings		**226**	581
NON-CURRENT			
Bank loans	14(b)	**11,000**	14,600
Leases	31(a)	**249**	495
Total non-current borrowings		**11,249**	15,095
Total borrowings		**11,475**	15,676

(a) Total current and non-current secured borrowings

	2018 $'000	2017 $'000
Bank loans	**11,000**	14,600
Leases	**475**	1,076
	11,475	15,676

(b) Summary of borrowing arrangements

The Company's banking facilities with ANZ consist of:

- $25 million revolving overdraft sub-facility and cash advance sub-facility (Facility A);
- $4.5 million asset finance facility (Facility B); and
- $30 million acquisition facility (Facility C).

Together, these facilities are referred to as the Banking Facilities.

Facilities A, B and C have a maturity date of 31 July 2019. All facilities have a variable interest rate based on bank bill swap rate (BBSY) plus a margin calculated with reference to the net leverage ratio. In addition, line fees calculated based on the relevant facility limit are payable on Facility A and Facility C.

The facility agreement under which banking facilities have been made available contains financial covenants typical for facilities of this nature. The covenants which are tested quarterly (unless otherwise specified in the facility agreement), relate to the leverage ratio, fixed charge cover ratio, working capital ratio and debt/debt + equity ratio. The Company has operated within these covenants during the period.

	Note	2018 $'000	2017 $'000
Amount unutilised		**48,025**	43,824
Amount utilised		**11,475**	15,676
		59,500	59,500

(c) Assets pledged as security for borrowings

The banking facilities are secured by a security interest granted by the Group over all of their assets in favour of ANZ as well as cross guarantees and indemnities between the Group members.

Notes to the Financial Statements
For the Year Ended 30 June 2018

15 Other Financial Liabilities

	Note	2018 $'000	2017 $'000
CURRENT			
Financial liabilities at fair value through profit or loss	23	84	-
		84	-

16 Deferred Income Tax

	Opening Balance $'000	Recognised in Profit or Loss $'000	Closing Balance $'000
Deferred Tax Asset			
Opening balance at 1 July 2017			
Black hole expenses	2,140	(548)	1,592
Other assets	87	(76)	11
Trade payables	190	16	206
Provisions	2,915	(8)	2,907
Closing balance at 30 June 2018	5,332	(616)	4,716

	Opening Balance $'000	Recognised in Profit or Loss $'000	Closing Balance $'000
Deferred Tax Liability			
Opening balance at 1 July 2017			
Trade receivables	(99)	(32)	(131)
Other assets	-	(72)	(72)
Property, plant and equipment	(223)	125	(98)
Intangible assets	(6,352)	291	(6,061)
Trade payables	(179)	74	(105)
Closing balance at 30 June 2018	(6,853)	386	(6,467)
Net deferred tax	(1,521)	(230)	(1,751)

17 Issued Capital

	2018 $'000	2017 $'000
Fully Paid Ordinary Shares	**293,798**	293,798

(a) Ordinary shares

	2018 No.	2017 No.
At the beginning of the reporting period	**132,900,281**	1
Shares issued during the year:		
Shares issued to DCC Partners	**-**	91,043,118
Shares issued to FPA Partners	**-**	27,597,152
Capital Raising	**-**	13,886,260
Employee Share Schemes	**-**	373,750
At the end of the reporting period	**132,900,281**	132,900,281

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

(b) Employee share schemes

No employee shares were issued during the year.

(c) Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. Other than its banking covenants, the Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group since the date of the Prospectus.

Notes to the Financial Statements
For the Year Ended 30 June 2018

18 Reserves

	Note	2018 $'000	2017 $'000
Share based payment reserve			
Opening balance		**126**	-
Recognition of share-based payments		**118**	126
	18(a)	**244**	126
Reorganisation reserve			
Opening balance		**(222,856)**	-
Shares issued to DCC Partners		**-**	(202,419)
Reallocation of retained earnings at reorganisation date		**-**	(21,990)
Tax effect on reorganisation reserve		**-**	1,553
	18(b)	**(222,856)**	(222,856)
Total reserves		**(222,612)**	(222,730)

(a) Share based payment reserve

The share based payment reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

(b) Reorganisation reserve

As described in Note 1(a), the restructure has been accounted for using the net carrying values of the DCC partnership prior to the reorganisation. The difference between the fair value of shares issued (based on market value) and the carrying values of net assets acquired has been recognised as a reorganisation reserve.

19 Accumulated losses

	2018 $'000	2017 $'000
Opening balance	**(214)**	(23,607)
Net profit attributable to the shareholders	**9,513**	7,180
Ordinary dividends paid	**(10,765)**	(4,785)
Distribution to previous owners	**-**	(992)
Reallocation of retained earnings at reorganisation date	**-**	21,990
Closing balance	**(1,466)**	(214)

	2018 $'000	2017 $'000

20 Dividends

The following dividends were declared and paid:

	2018 $'000	2017 $'000
Interim Dividend – fully franked ordinary		
3.6 cents paid 31 March 2017	**-**	4,785
2.8 cents paid 28 March 2018	**3,721**	-
Final Dividend – fully franked ordinary		
5.3 cents paid 4 October 2017	**7,044**	-

In respect of the year ended 30 June 2018, the directors resolved to pay a fully franked final dividend of 4.3 cents per share. The record date will be 5 September. As such the dividend has not been included as a liability in these financial statements. The total dividend to be paid is $5,715,000.

There are no income tax consequences arising from this dividend at 30 June 2018.

Franking account

	2018 $'000	2017 $'000
The franking credits available for subsequent financial years at a tax rate of 30%	**3,171**	10

The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

21 Earnings Per Share

The calculation of Statutory EPS is presented below:

	2018 cents per share	2017 cents per share
Total basic earnings per share	**7.16**	5.40
Total diluted earnings per share	**7.15**	5.40

(a) Reconciliation of earnings used in calculating earnings per share

	2018 000's $	2017 000's $
Profit for the period attributable to Parent entity	**9,513**	7,180

(b) Earnings used to calculate overall earnings per share

	2018 000's $	2017 000's $
Earnings used to calculate overall earnings per share	**9,513**	7,180

21 Earnings Per Share (continued)

(c) Weighted average number of shares used as the denominator in calculation of earnings per share

	2018 No.	2017 No.
Weighted average number of ordinary shares used in calculating basic earnings per share	**132,900,281**	132,900,281
Adjustments for calculation of diluted earnings per share:		
- Retention rights	**146,393**	162,158
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	**133,046,674**	133,062,439

(d) Information concerning the classification of securities

Retention rights granted to employees under the Group's executive and employee share option plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The retention rights have not been included in the determination of basic earnings per share.

22 Share-based Payments

The Company has established a long term incentive plan (LTIP) in order to assist in the motivation and retention of key employees. The LTIP is designed to align the interests of eligible employees more closely with the interests of shareholders by providing an opportunity for eligible employees to receive an equity interest in the Company.

Each retention right issued under the LTIP converts into one ordinary share of QANTM on exercise. No amounts are paid or payable by the recipient of the retention right, and the retention rights carry neither rights to dividends nor voting rights. The retention rights are treated as in substance options and accounted for as share-based payments.

Prior to listing, the Company issued 162,158 retention rights to 13 senior employees. Each right is capable of conversion into a fully paid share after a two year vesting period. Vesting is not conditional on any performance conditions, only time and continued service.

The Group has the following share-based payment schemes:

	2018 No.	2017 No.
Balance at the beginning of the year	**162,158**	-
Number issued / (forfeited) during the financial year	**(15,765)**	162,158
Balance at the end of the year	**146,393**	162,158
Exercisable at the end of the year		-

	2018 000's $	2017 000's $
Share based payment expense recognised during the year	**118**	**126**

22 Share-based Payments (continued)

Set out below are summaries of the rights granted under the plan:

Grant date	Expiry Date and Vesting Date	Grant Date Fair Value $	Balance at the start of the year	Granted	Exercised	Expired/ forfeited	Balance at the end of the year
30 August 2016	30 August 2018	1.89	162,158	-	-	(15,765)	146,393

Employee Share Trust (EST)

The company has established an employee share trust (EST) for the benefit of key employees. The EST is intended to provide an incentive for participating employees to maximise their contributions to the Company and to enable them to share in the future growth in the value of the Company.

Under the EST, selected key employees, nominated by the Company will be provided with an opportunity to acquire a beneficial interest in fully paid QANTM shares (through the EST). Contributions are paid by QANTM to the EST, which will use those funds to effect an acquisition of QANTM shares for the benefit of the relevant employee under the terms of the EST. The shares will generally be acquired on market by the trustee of the EST (which is not a member of the QANTM Group), but may be issued by QANTM to the trustee of the EST. The employee will not be able to effect a sale of the shares whilst they are in the EST.

23 Financial Risk Management

Objectives, policies and processes

The Group's activities expose it to a variety of financial risks: liquidity risk, credit risk and market risk (including foreign currency risk and interest rate risk). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange and ageing analysis for credit risk.

Liquidity risk

Liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group may obtain payment in advance or restrict the services offered where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, as disclosed in the statement of financial position and notes to the financial statements. The Group does not have any material credit risk exposure to any single debtor or group of debtors and does not hold any collateral.

23 Financial Risk Management (continued)

Market risk

Foreign currency risk

A substantial portion of the Group's revenues and cash flows are generated in USD. The majority of the Group's key expenses, including rent and wages, are payable in AUD. Accordingly, any appreciation of the AUD against the USD as well as other adverse exchange rate movements, could have an adverse effect on the Company's future financial performance and position. If the AUD appreciates against the USD, the Group's cash receipts in AUD could be lower which could result in a lower net profit for the Group.

The Group has historically used hedging to reduce the impact of currency movements in USD denominated invoices between the time of invoicing and receipt of payment. The Group has entered into hedging where appropriate to set or cap the USD to AUD conversion rate.

The Group's net asset exposure in AUD at reporting date was as follows:

	AUD $'000	USD $'000
30 June 2017		
Asset exposure	15,566	11,967
Liabilities exposure	(2,964)	(2,279)
Net exposure	**12,602**	**9,688**
30 June 2018		
Asset exposure	**15,352**	11,368
Liabilities exposure	**(3,228)**	(2,390)
Net exposure	**12,124**	**8,978**

Sensitivity analysis

Sensitivity analysis of the Group's Australian dollar denominated profit and loss statement to foreign currency movements:

	Increase / (Decrease)	2018 EBITDA impact 000's $	2018 NPAT impact 000's $
Change in AUD/USD exchange rate	1 cents / (1 cents)	(0.5) / 0.5	(0.4) / 0.4

Interest rate risk

The Group's main interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group does not enter into any derivative financial instruments to manage its exposure to interest rate risk.

Liquidity risk

Liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the Financial Statements
For the Year Ended 30 June 2018

23 Financial Risk Management (continued)

At the reporting date, the Group had the following variable rate borrowings outstanding:

	2018		2017	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
		000's		000's
	%	$	%	$
Bank loans	3.01	11,000	3.45	14,600
Net exposure to cash flow interest rate risk		**11,000**		**14,600**

	Effective Average Fixed Interest Rate Payable		Notional Principal	
	2018	2017	2018	2017
Maturity of notional amounts	%	%	$000	$000
Less than 1 year	-	-	-	-
1 to 2 years	3.01	3.45	11,000	14,600
2 to 5 years	-	-	-	-

23 Financial Risk Management (continued)

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

The Board considers that the carrying amount of financial assets and financial liabilities recognised in the financial statements approximate their fair value.

The table below shows the assigned level for each asset and liability held at fair value by the Group:

		Level 1	Level 2	Level 3	Total
30 June 2017		**$**	**$**	**$**	**$**
Liabilities					
Forward exchange contracts	8	-	269	-	269
Total liabilities		**-**	**269**	**-**	**269**
30 June 2018					
Liabilities					
Forward exchange contracts	15	-	84	-	84
Total liabilities		**-**	**84**	**-**	**84**

There were no transfers between levels during the financial year.

24 Fair Value Measurement

Forward exchange contracts

Valuation techniques and key inputs

Discounted cash flow method is used - 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.

Notes to the Financial Statements
For the Year Ended 30 June 2018

25 Parent Entity

Set out below is the supplementary information about the parent entity.

	2018 $'000	2017 $'000
Statement of Financial Position		
Current assets	**234**	175
Total Assets	**87,561**	88,019
Current liabilities	**3,954**	4,843
Total Liabilities	**3,955**	4,843
Equity		
Issued capital	**91,682**	91,682
Share based payment reserve	**244**	128
Retained earnings	**(8,320)**	(8,634)
Total Equity	**83,606**	83,176
Statement of Profit or Loss and Other Comprehensive Income		
Total profit or loss for the year	**11,079**	(2,232)
Total comprehensive income	**11,079**	(2,232)

Guarantees

The parent entity has entered into a Deed of Cross-Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries and the subsidiaries guarantee the debts of the parent entity.

Further details of the Deed of Cross-Guarantee and the entity subject to the deed are disclosed in Note 27.

Contingent liabilities

At 30 June 2018 and 30 June 2017, bank guarantees in respect of property leases were maintained.

Further details of the contingent liabilities are disclosed in Note 30.

Contractual commitments

The parent entity does not have any material contractual commitments as at 30 June 2018 or 30 June 2017.

Notes to the Financial Statements
For the Year Ended 30 June 2018

26 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%)[1] 2018	Percentage Owned (%)[1] 2017
Subsidiaries:			
Davies Collison Cave Pty Ltd[2]	Australia	**100**	100
Davies Collison Cave Law Pty Ltd[2]	Australia	**100**	100
Davies Collison Cave Asia Pte Ltd	Singapore	**100**	100
FPA Patent Attorneys Pty Ltd[2]	Australia	**100**	100
QIP Services Pty Ltd[2]	Australia	**100**	100
QIP Nominees Pty Ltd[2]	Australia	**100**	100

1. The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.
2. Members of the cross guarantee group. Refer to Note 27.

27 Deed of Cross-Guarantee

The members of the Group party to the deed of cross guarantee are detailed in Note 26. The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position of the entities party to the deed of cross guarantee are:

	2018 $'000	2017 $'000
Statement of Comprehensive Income		
Service charges	**73,229**	74,978
Associate charges	**24,818**	22,064
Total revenue	**98,047**	97,042
Other income	**2,896**	2,883
Employee benefits expense	**(42,722)**	(43,817)
Recoverable expenses	**(22,954)**	(19,293)
Occupancy expenses	**(6,056)**	(5,963)
Restructure costs	**(2,304)**	-
Other expenses	**(10,142)**	(18,191)
Earnings before depreciation and amortisation, finance costs and income tax	**16,765**	12,661
Depreciation and amortisation	**(2,048)**	(1,804)
Earnings before finance costs and income tax	**14,717**	10,857
Finance costs	**(834)**	(970)
Profit before income tax	**13,883**	9,887
Income tax expense	**(4,452)**	(2,868)
Net profit for the year	**9,431**	7,019
Total comprehensive income for the year	**9,431**	7,019

27 Deed of Cross-Guarantee (continued)

	2018 $'000	2017 $'000
Statement of Financial Position		
Current Assets		
Cash and cash equivalents	**2,980**	8,156
Trade and other receivables	**30,765**	29,266
Other financial assets	**-**	269
Other assets	**1,673**	1,199
Total Current Assets	**35,418**	38,890
Non-Current Assets		
Other assets	**9**	72
Property, plant and equipment	**2,495**	2,070
Intangible assets	**66,294**	67,074
Total Non-Current Assets	**68,798**	69,216
Total Assets	**104,216**	108,106
Current Liabilities		
Trade and other payables	**9,217**	7,918
Provisions	**6,313**	6,400
Borrowings	**226**	407
Other financial liabilities	**84**	-
Current tax liabilities	**3,165**	3,538
Total Current Liabilities	**19,005**	18,263
Non-Current Liabilities		
Provisions	**2,800**	2,677
Borrowings	**11,249**	15,095
Deferred tax liabilities	**1,750**	1,521
Total Non-Current Liabilities	**15,799**	19,293
Total Liabilities	**34,804**	37,556
Net Assets	**69,412**	70,550
Equity		
Issued Capital	**293,748**	293,748
Reserves	**(222,600)**	(222,730)
Retained Earnings	**(1,736)**	(468)
Total Equity	**69,412**	70,550

28 Related Parties

Parent entity

QANTM Intellectual Property Limited.

Subsidiaries

Interests in subsidiaries are set out in Note 26.

Key management personnel

Disclosures relating to key management personnel are set out in Note 29 and the remuneration report in the Directors' Report.

29 Key Management Personnel Disclosures

Key management personnel (Directors and Executive Officers) remuneration included within employee expenses for the year is shown below:

	2018 $'000	2017 $'000
Short-term employee benefits	**2,444**	1,943
Post-employment benefits	**165**	121
Other long-term benefits	**39**	318
Share-based payments	**-**	350
Total KMP compensation	**2,648**	2,732

30 Contingent Liabilities

Estimates of material amounts of contingent liabilities, not provided for in the financial report:		
Bank guarantees in respect of property leases	**2,494**	3,270

31 Capital and Leasing Commitments

(a) Finance Leases

Minimum lease payments:		
- not later than one year	**248**	646
- between one year and five years	**271**	541
- later than five years	**-**	-
Minimum lease payments	**519**	1,187
Less: finance changes	**(44)**	(111)
Present value of minimum lease payments	**475**	1,076

Finance leases are in place for plant and equipment with a range of lease terms. The leases have terms of renewal options but no purchase option or escalation clauses.

Notes to the Financial Statements
For the Year Ended 30 June 2018

31 Capital and Leasing Commitments (continued)

(b) Operating Leases

	2018 $'000	2017 $'000
Non-cancellable operating leases contracted for but not recognised in the financial statements:		
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	**5,734**	5,120
- between one year and five years	**17,743**	19,559
- later than five years	**8,860**	12,596
	32,337	37,275

Operating leases have been taken out for the rental of premises. Lease payments are increased on an annual basis to reflect market rentals.

32 Cash Flow Information

(a) Reconciliation of result for the year to cash flows from operating activities

	2018 $'000	2017 $'000
Reconciliation of net income to net cash provided by operating activities:		
Profit for the year after income tax	**9,513**	7,180
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation and amortisation	**2,164**	1,897
- Transaction costs relating to issue of new shares	**-**	6,601
- Share based payments	**118**	958
- Effect of exchange rates	**(136)**	(23)
- Unrealised gain on investment in derivatives	**353**	-
- Bad debts	**490**	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	**(2,505)**	1,069
- (increase)/decrease in other assets	**(87)**	336
- increase/(decrease) in deferred borrowing costs	**55**	(119)
- increase/(decrease) in trade and other payables	**1,388**	(1,956)
- increase/(decrease) in provisions	**71**	2,372
- increase/(decrease) in income tax payable	**(356)**	3,782
- increase/(decrease) in deferred tax balances	**230**	(2,939)
Cash flow from operations	**11,298**	19,158

	2018 $'000	2017 $'000

32 Cash Flow Information (continued)

(b) Reconciliation of Liabilities arising from Financing Activities

	1 July 2017 000's $	Cash flows 000's $	Foreign exchange movement 000's $	Fair value changes 000's $	Acquisition 000's $	30 June 2018 000's $
Leases	1,076	(601)	-	-	-	475
Bank loans	14,600	(3,600)	-	-	-	11,000
Total liabilities from financing activities	15,676	(4,201)	-	-	-	11,475

33 Auditors' Remuneration

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tomatsu, the auditor of the Company.

	2018	2017
Remuneration of the auditor for:		
- auditing or reviewing the financial statements	**202,071**	180,000
- investigating accountant	**-**	710,331
- other advisory services	**-**	104,476
- other assurance services	**-**	26,250
	202,071	1,021,057

34 Events Occurring After the Reporting Date

On 2 July 2018, the Company finalised the acquisition of the Malaysian intellectual property company, Advanz Fidelis IP Sdn Bhd ('AFIP') (formerly Advanz Fidelis Sdn Bhd). The acquisition involved an upfront cash payment of AUD 3.05 million with further payments subject to agreed earn-out arrangements over an 18 month period, representing 6.5 times normalised EBITDA. The acquisition forms part of QANTM's willingness to pursue incremental acquisition opportunities that expand the group's intellectual property client base and revenue generation potential. The acquisition supplements the Company's existing South-East Asian operation in Singapore.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

35 Company Details

The registered office of the Company is:

QANTM Intellectual Property Limited
Level 15
1 Nicholson Street
Melbourne VIC 3002

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2018 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards, which, as stated in Basis of Preparation in the Notes to the Financial Statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position and performance of the consolidated group;

2. the Chief Executive Officer and Chief Financial Officer have given the declarations required by Section 295A that:

    a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

    b. the financial statements and notes for the financial year comply with the Accounting Standards; and

    c. the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion, there are reasonable grounds to believe that:

    a. the Company will be able to pay its debts as and when they become due and payable;

    b. The Company and the companies to which the ASIC Corporations Instrument applies, as detailed in note 28 to the financial statements, will as a group, be able to meet any obligations or liabilities to which they are, or may, become, subject by virtue of the deed of cross guarantee.

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

Chairman: ....
Richard England

Dated this 29th day of August 2018.

Deloitte.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of QANTM Intellectual Property Limited (the Company), and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for 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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of goodwill – impairment assessment *Refer to Note 11* As at 30 June 2018 the Group's carrying value of goodwill totals $45.8 million. Significant judgement is exercised in determining the assumptions and estimates involved in preparing a Value in Use (ViU) valuation model including: • Future cash flows and growth rates for the FPA cash generating unit ('CGU'); and • Discount rates.	In conjunction with our valuation experts our procedures included, but were not limited to: • Assessing the objectivity and competence of the external valuation specialist used by management; • Evaluating management's methodology used to assess the FPA CGU for impairment; • Challenging key assumptions including forecast growth rates by comparing them to historical results, business trends, economic and industry forecasts and comparable organisations; • Assessing the consistency of the cash flows used with the latest Board approved budget for FPA and assessing the historical accuracy of forecasting by FPA; • Evaluating the discount rate used by assessing the cost of capital for the FPA CGU, the company and comparable organisations by comparison to market data and industry research; • Testing on a sample basis the mathematical accuracy of the cash flow model; and • Performing sensitivity analyses on the impairment model using varied discount rates and growth projections to simulate alternative market conditions. We have also assessed the appropriateness of the disclosures included in Note 11 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of the auditor's report, and also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): Operational, Financial and other Business Highlights, the Chairman's Letter and the Managing Director's Letter, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

When we read the Operational, Financial and other Business Highlights, the Chairman's Letter and the Managing Director's Letter, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgment to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 21 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of QANTM Intellectual Property Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

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 responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Gerard Belleville

Gerard Belleville
Partner
Chartered Accountants
Melbourne, 29 August 2018

Additional Information for Listed Public Companies

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 15 August 2018.

In accordance with ASX listing rule 4.10.19 the Company confirms that it 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 consistent with its business objectives.

The distribution of issued capital is as follows:

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
100,001 and Over	80	120,980,180	91.03%
10,001 to 100,000	315	9,41,685	7.14%
5,001 to 10,000	150	1,222,692	0.92%
1,001 to 5,000	314	1,032,531	0.73%
1 to 1,000	364	177,243	0.13%
Total	**1,223**	**132,904,331**	**100.00%**

Distribution of Retention Rights Holders

The distribution of unquoted Retention Rights on issue are:

Size of Holding	Number of Holders	Unlisted Options	% of Issued Capital
100,001 and Over	0	0	0.00
10,001 to 100,000	12	146,393	100.00
5,001 to 10,000	0	0	0.00
1,001 to 5,000	0	0	0.00
1 to 1,000	0	0	0.00
Total	**12**	**146,393**	**100.00**

Less than marketable parcels of ordinary shares

There are 30 shareholders with unmarketable parcels totalling 2,561 shares.

Additional Information for Listed Public Companies

20 Largest Shareholders

The Twenty largest shareholders of quoted equity securities are as follows:

		Number of fully paid Ordinary Shares	% of issued Capital
1	HSBC Custody Nominees (Australia) Limited	32,299,447	24.30%
2	National Nominees Limited	6,145,512	4.62%
3	Argo Investments Limited	4,900,053	3.69%
4	J P Morgan Nominees Australia Limited	4,031,800	3.03%
5	John Dower	2,888,884	2.17%
6	Thomas Peter Gumley	2,444,223	1.84%
7	Brett Connor	2,225,695	1.67%
8	Curpsi Pty Ltd	2,037,226	1.53%
9	Fordham Pty Ltd	2,037,226	1.53%
10	Gnarwarre Investments Pty Ltd	2,037,226	1.53%
11	Loughnan Hill Pty Ltd	2,037,226	1.53%
12	Macrophage Pty Ltd	2,037,226	1.53%
13	Oakvale Pty Ltd	2,037,226	1.53%
14	Pennin Pty Ltd	2,037,226	1.53%
15	Petrob Holdings Pty Ltd	2,037,226	1.53%
16	Rezinlow Holdings Pty Ltd	2,037,226	1.53%
17	Rocky Road Pty Ltd	2,037,226	1.53%
18	Syabrite Pty Ltd	2,037,226	1.53%
19	TSAR Investments Pty Ltd	2,037,226	1.53%
20	Woodcastle Pty Ltd	2,037,226	1.53%
	Totals	**81,419,552**	**61.21%**
Total Quoted Equity Securities		**132,904,331**	

Unquoted Equity Securities

The Company had the following unquoted retention rights on issue as at 15 August 2018:

12 holders of retention rights issued to employees	**146,393**	**100.0%**

Additional Information for Listed Public Companies

Substantial Shareholders

The names of the Substantial Shareholders listed in the Company's Register as at 3 July 2018:

Shareholder	Number of Ordinary Fully Paid Shares	% of Issued Capital
Perpetual Limited & Subsidiaries	12,368,665	9.31%
Investors Mutual	10,030,334	7.55%
Renaissance Smaller Companies Pty Ltd	8,439,215	6.35%

Restricted Securities

The Company had the following restricted securities on issue as at 15 August 2018:

Class	Number of Shares	% of Issued Capital
Voluntary Escrow - fully paid ordinary shares	67,861,104	51.06%

The escrow period applying to these shares varies from the date of release of the FY18 results to 30 August 2019.

Voting Rights

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or in a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid ordinary share, on a poll.

Retention rights have no voting rights.

On-Market Buy-Backs

There is no current on-market buy-back in relation to the Company's securities.