

ASX Announcement



29 August 2019

AMENDMENT TO FY19 FINANCIAL REPORT

QANTM Intellectual Property Limited (ASX: QIP) ("QANTM" or "the Company") advises that the Auditor Independence Report was not included in the announcement entitled "Appendix 4E and Financial Report Year Ended 30 June 2019".

Please find attached an updated Appendix 4E and Financial Report Year Ended 30 June 2019.

About QANTM Intellectual Property

QANTM Intellectual Property Limited (QANTM, ASX: QIP) is the owner of a group of leading intellectual property (IP) services businesses operating in Australia, New Zealand, Singapore and Malaysia under three key brands - Davies Collison Cave (DCC), FPA Patent Attorneys (FPA) and Advanz Fidelis IP Sdn Bhd (AFIP), as well as an IP consultancy company, ipervescence Pty Ltd. With more than 140 highly qualified professionals, the QANTM Group has a strong track record in providing a comprehensive suite of services across the IP value chain to a broad range of Australian and international clients, ranging from start-up technology businesses to Fortune 500 multinationals, public research institutions and universities.



QANTM Intellectual Property Limited ACN 612 441 326 and Controlled Entities

Financial report for the year ended 30 June 2019

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

Results for Announcement to the Market

Key Information		2019 \$'000	2018 \$'000	% Change
Revenue from ordinary activities	Up	112,170	101,716	10%
Profit after tax from ordinary activities attributable to members	Up	11,206	9,513	18%
Net profit attributable to members	Up	11,206	9,513	18%

Dividends Paid and Proposed

	Amount per Security	Franked Amount per Security at 30% of Tax
Ordinary shares:		
2019 interim ordinary dividend paid 28 March 2019	3.5 cents	3.5 cents
2019 final ordinary dividend declared 29 August 2019	4.8 cents	4.8 cents
Record date for determining entitlements to the final dividend on ordinary shares:	5 September 2019	
Payment date	3 October 2019	

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 2019 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 2019 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 2019 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 2019 financial report and accompanying notes for QANTM Intellectual Property Limited and Controlled Entities.

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APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

Dividend Reinvestment Plan

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

Net Tangible Assets per Share

	2019 cents per share	2018 cents per share
Net tangible assets per ordinary share	\$0.01	\$0.03

Control Gained or Lost over Entities in the Year

Control gained:	Advanz Fidelis IP Sdn Bhd, 2 July 2018 (MCIN 1242306-U) Davies Collison Cave NZ Ltd, 14 August 2018 (NZCN 6978673) FPA Patent Attorneys Asia Pte Ltd, 11 September 2018 (UEN 201831157W) ipervescence Pty Ltd, 24 April 2019 (ACN 633089942)
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 2019 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 pages 72-76 of the 30 June 2019 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 2019

QANTM Intellectual Property Limited and Controlled Entities

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QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT **for the year ended 30 June 2019**

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 2019 (FY19). To comply with the provisions of the *Corporations Act 2001*, the Directors' report follows.

Davies Collison Cave, including:

- Davies Collison Cave Pty Ltd - an incorporated patent and trade mark attorney business operating in Australia and New Zealand (DCC);
- Davies Collison Cave Law Pty Ltd - an incorporated legal practice operating in Australia (DCC Law);
- Davies Collison Cave Asia Pte Ltd - an incorporated patent and trade mark attorney business operating in Singapore (DCC Asia);

FPA Patent Attorneys, including:

- FPA Patent Attorneys Pty Ltd - an incorporated patent attorney business operating in Australia and New Zealand (FPA);
- FPA Patent Attorneys Asia Pte Ltd - an incorporated patent attorney business operating in Singapore (FPA Asia); and

Advanz Fidelis IP Sdn Bhd - an incorporated intellectual property prosecution and advisory practice operating in Malaysia (AFIP).

QANTM generates revenue by providing services in relation to the creation, protection, commercialisation, enforcement and management of IP. In addition, QANTM generates revenue outside the IP application process, with clients engaging the QANTM businesses to provide strategic IP advice regarding their IP portfolio or that of their competitors. Such strategic advice assists clients in identifying potential opportunities for IP protection. DCC Law provides IP legal and litigation services, and has also established a commercial legal capability.

QANTM has a diverse client base ranging from start-up ventures and SMEs to Fortune 500 multinationals, public sector research institutions and universities. The majority of QANTM's clients are located in the US, Europe, Japan and Australia and can be broadly divided into three groups:

- local clients, which include Australian, New Zealand, Singapore and Malaysia based corporates, public sector research institutions, universities, and private individuals; and
- international clients which include:
 - foreign corporates who engage directly with QANTM, including Fortune 500 companies and other foreign multinational corporations; and
 - international clients referred to QANTM by foreign associate IP practices (Foreign Associates).

QANTM businesses have relationships with a broad range of Foreign Associates internationally. These Foreign Associates engage QANTM businesses to act on behalf of international clients where that client wishes to obtain IP protection in Australia, New Zealand, Singapore or Malaysia (often as part of the 'national phase entry' of PCT applications). Similarly, QANTM businesses will engage a Foreign Associate to act on behalf of a QANTM client in Australia, New Zealand, Singapore or Malaysia that wishes to obtain IP protection in the Foreign Associate's jurisdiction. This reciprocity between QANTM businesses and their network of Foreign Associates is important in generating incoming referrals of international clients and revenue for the firms.

As at 30 June 2019, the QANTM Group had a total of 335 employees.

QANTM Intellectual Property Limited and Controlled Entities

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DIRECTORS' REPORT **for the year ended 30 June 2019**

1. General information

1.1. Directors

The names of the Directors in office at any time during, or since the end of, FY19 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

Each of the Directors has been in office since prior to the start of FY19 and through to the date of this report.

QANTM Intellectual Property Limited and Controlled Entities

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DIRECTORS' REPORT for the year ended 30 June 2019

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	Non-Executive Director Chairman of Automotive Holdings Group Limited. Non-Executive Director of Bingo Industries Limited, Japara Healthcare Limited and Nanosonics Limited.
Former directorships of listed entities (last 3 years)	Chairman of Ruralco Holdings Limited until his resignation on 5 September 2016. Non-Executive Director of Atlas Arteria. Retired on 30 November 2018.

Mr Leon Allen	Managing Director and Chief Executive Officer
Qualifications	BSc (Hons), Patent Attorney
Experience	Leon 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.
Interest in shares and options	2,037,227 shares
Special responsibilities	Managing Director
Other current listed directorships	None
Former directorships of listed entities (last 3 years)	None

QANTM Intellectual Property Limited and Controlled Entities

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DIRECTORS' REPORT

for the year ended 30 June 2019

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 member of the Australian Institute of Company Directors with experience in Australia, Asia, Europe and the Middle East.

Abigail has had an executive career with global services firms:

- building and managing businesses throughout Asia;
- restructuring and recapitalising sovereigns, (the former Soviet Union and Iraqi foreign debt), listed companies and financial institutions); and
- mitigating fraud and managing regulatory investigations and litigation for multi- national businesses.

Abigail worked for Kroll (Managing Director), KordaMentha (Partner), Deloitte (Head of Forensics, Singapore) and Ernst & Young (Leader of Forensic Accounting Service Line for Asia Pacific) amongst other roles. She was formerly a certified fraud examiner and a member of the Singapore Institute of Directors.

Interest in shares and options

45,045 shares

Special responsibilities

Chair of the Audit, Risk and Compliance Committee

Other current listed directorships

Non-Executive Director of Insentia Group Limited

Former directorships of listed entities (last 3 years)

Non-Executive Director of SurfStitch Group Limited.

Mr Cameron Judson

Non-Executive Director

Qualifications

BA, MBA, MAICD

Experience

Cameron was the CEO of McGrath Limited 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

Chair of the People, Remuneration and Culture Committee

Other current listed directorships

None

Former directorships of listed entities (last 3 years)

None

QANTM Intellectual Property Limited and Controlled Entities

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DIRECTORS' REPORT

for the year ended 30 June 2019

1. General information (continued)

1.2 Information on directors (continued)

Ms Sonia Petering

Non-Executive Director

Qualifications

LLB, B.Com, FAICD

Experience

Sonia has more than 15 years' experience in non-executive director and chair roles with listed and unlisted companies and government authorities across financial services, payments, insurance, professional services and healthcare.

Sonia is an experienced commercial lawyer who commenced her legal practice in 2001. She holds a current Victorian legal practicing certificate.

Sonia previously served as a Non-Executive Director on the boards of Transport Accident Commission of Victoria and Rural Finance Corporation of Victoria and as Chair of the Board of Rural Finance Corporation from 2009 - 2016.

Sonia holds a Bachelor of Laws and Bachelor of Commerce from the University of Melbourne and 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 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 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.

QANTM Intellectual Property Limited and Controlled Entities

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DIRECTORS' REPORT for the year ended 30 June 2019

2. Meetings of Directors

The number of meetings of QANTM's Board of Directors (the Board) held during FY19, and number attended are:

	Directors' Meetings		Audit, Risk and Compliance Committee		People, Remuneration and Culture Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Richard England	20	21	N/A	N/A	N/A	N/A
Mr Leon Allen	21	21	N/A	N/A	N/A	N/A
Ms Abigail Cheadle	21	21	5	5	4	4
Mr Cameron Judson	21	21	5	5	4	4
Ms Sonia Petering	21	21	5	5	4	4

3. Principal Activities

QANTM is the owner of a group of leading IP services businesses operating under three key brands, as outlined in section 1 of this report.

QANTM's principal operations are in Australia where DCC and FPA service both local and international clients in relation to their Australian IP rights, and DCC Law provides legal services. DCC also operates in New Zealand. Asia is a strategic focus, with DCC Asia and FPA Asia opening offices in Singapore in 2015 and 2018 respectively. AFIP is a Malaysian company acquired by QANTM on 2 July 2018, and provides IP services for Malaysian clients as well as regional and other international clients.

Apart from the acquisition of AFIP and the opening of the DCC office in New Zealand and FPA Asia office in Singapore, there were no significant changes in the nature of the Group's principal activities during the financial year.

4. Operational and financial review¹

The following provides commentary on the Group's FY19 results.

The underlying results of the QANTM group are provided, which for FY19 are adjusted for various items, with a net total of \$4.1 million (2018: \$3.2 million) not considered of a recurring nature. These include merger and acquisition costs of \$2.1 million, mainly associated with the proposed merger with Xenith IP Group Ltd (Xenith), which did not proceed, AFIP earn-out payments of \$3.1 million and new business establishment costs of \$0.5 million, which were partly offset by a break fee payment of \$1.6 million received by QANTM, related to the proposed Xenith merger. Refer page 11 for a reconciliation of statutory Net Profit After Tax ('NPAT') to underlying NPAT.

The Group's total revenue for the FY19 was \$112.2 million, compared with \$101.7 million for the 12 month period ended 30 June 2018 (FY18). Net revenue, after other income and recoverable expenses from Associate Charges, was \$90.3 million compared with \$80.4 million for FY18. The Group's reported consolidated underlying EBITDA after foreign exchange was \$24.0 million compared with \$20.1 million EBITDA for FY18. The Group's underlying NPAT was \$14.8 million, compared with \$11.9 million in FY18.

Net debt as at 30 June 2019 was \$11.1 million, compared with \$8.3 million as at 30 June 2018. Gearing (net debt/net debt + book equity) at 30 June 2019 was 13.6%.

In line with the Company's dividend payment policy, Directors determined a total FY19 dividend payment of 8.3 cents per share, fully franked, made up of an interim dividend of 3.5 cents per share and a final dividend of 4.8 cents per share. The FY18 dividend payments were 7.1 cents, made up of an interim dividend of 2.8 cents and a final dividend of 4.3 cents, fully franked.

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.

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DIRECTORS' REPORT

for the year ended 30 June 2019

4. Operational and financial review (continued)

The Group's Total Underlying Operating Expenses were \$67.1 million in FY19, compared with \$61.1 million in FY18 (refer below for details of Recoverable Expenses associated with Associate Charges).

Principal operational and business activities during the year included:

- the completion of the acquisition of Malaysian IP company, AFIP, on 2 July 2018, for consideration involving an initial payment of \$3.05 million and potential payment of two subsequent earn-out amounts (the first of which, in an amount of \$2.07 million, was paid in May 2019);
- continuing business development and marketing activities, designed to generate additional business and enhance DCC/FPA's position in specific geographies and industry sectors for future revenue generation;
- the establishment, by DCC, of a commercial legal team, which has operated since 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;
- merger and acquisition activities associated with two potential projects - an indicative proposal received from IPH Ltd to acquire QANTM (which did not proceed) and a proposed merger between QANTM and Xenith IP Group Ltd, which was announced on 27 November 2018 and which was intended to proceed by way of a scheme of arrangement. Ultimately, Xenith's Board of Directors recommended an alternative transaction, involving Xenith's acquisition by IPH Ltd, after QANTM advised that it did not intend to match or better the terms of IPH's competing proposal and as a result, QANTM received a break fee of \$1.6 million;
- establishment of new offices in Wellington, New Zealand by DCC and Singapore by FPA Asia;
- promotion of 21 professionals across the Group in the 2019 financial year; 67 per cent involved promotions of female professional staff and a further 13 promotions after 1 July 2019, 54 per cent of which were female;
- new service offerings to existing and potential clients. Following planning and preparatory work in FY19, ipervescence Pty Ltd - a new IP consultancy joint venture, majority-owned by QANTM and providing IP strategy and locum services - was launched in July 2019;
- continued investment in professional development and career enhancement for Group employees in areas involving, but not limited to, leadership, business development, use of technology, knowledge of individual roles, as well as cultural and personal development programmes; and
- the re-alignment of the remuneration packages of some principals and senior professionals to reflect market relativities, as well as the involvement of further new principals in the Employee Share Trust, established in 2018 to align incentives to the interests of shareholders.

QANTM Intellectual Property Limited and Controlled Entities

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DIRECTORS' REPORT

for the year ended 30 June 2019

4. Operational and financial review (continued)

4.1. Business conditions

Business conditions in FY19 were primarily marked by the following features:

- Group patent applications or filings in FY19 (excluding AFIP) increased by 8.2 per cent, a higher rate of increase than the prior two years. Inclusive of AFIP Group patent filings increased 11.9 per cent.
- Australian patent applications, which constitute approximately 60 per cent of QANTM's total annual applications, increased by 6.6 per cent (after declining 6.2 per cent in the prior year).
- Rest of world applications (the next largest group after Australian applications), increased by 6.8 per cent, however Patent Co-operation Treaty (PCT) applications declined by 3.0 per cent after reaching record levels in 2018;
- Asian patent applications, excluding AFIP, increased 36.6 per cent, or 96 per cent including AFIP.
- Singapore patent filings increased 44.9 per cent.
- Trade mark revenue continued to grow despite QANTM total trade mark filings decreasing by 2.4 per cent and QANTM Australian trade mark filings declining by 7.4 per cent in the context of an overall Australian market decline of 8.2 per cent; and
- DCC Law recorded a record year in revenue terms, including a contribution by the new commercial legal team.

4.2. Financial Results – Key Elements

The main features of the FY19 financial results are provided below:

Revenue

Total revenue was \$112.2 million for the year, a 10.3 per cent increase (FY18: \$101.7 million). Total revenue comprised:

- Service Charges revenue of \$86.5 million, which represented a 13.1 per cent increase (FY18: \$76.5 million);
- Associate Charges revenue of \$25.7 million, which represented a 2.0 per cent increase (FY18: \$25.2 million). Recoverable expenses, mainly related to Associate Charges, was \$23.9 million in FY19, compared with \$23.4 million in FY18.

The main features of the Service Charges revenue outcome for the Group included:

- higher patent revenue of \$57.9 million (FY18: \$52.6 million), mainly associated with a reversal of the prior year lower recorded level of foreign sourced, Australian patent work. In FY19, both DCC and FPA improved their level of revenues from overseas sourced work. The first full year contribution from AFIP was also recorded;
- trade mark revenues continued to strengthen compared to the prior corresponding period, with revenue of \$15.6 million (FY18: \$14.3 million);
- legal and litigation revenues increased to \$13.0 million (FY18: \$9.6 million);
- Associate Charges revenue of \$25.7 million (FY18: \$25.2 million) comprised total patent revenue of \$20.9 million (FY18: \$20.3 million); and a total trade mark revenue of \$4.8 million (FY18: \$4.9 million); and
- the benefit of a favourable foreign exchange (AUD:USD) environment.

Other income, excluding foreign exchange, was stable at \$2.0 million (FY18: \$2.1 million).

4.3. Total Expenses

Operating expenses were higher, with a total of \$67.1 million (FY18: \$61.1 million). Compensation payments, including share based payments, increased to \$48.7 million (FY18: \$43.9 million). Marketing and business development costs, inclusive of travel and entertainment, increased by \$0.4 million to \$4.3 million, while occupancy costs were marginally higher (\$0.3 million), year-on-year.

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DIRECTORS' REPORT

for the year ended 30 June 2019

4. Operational and financial review (continued)

4.4. EBITDA and EBITDA Margin

The Group recorded EBITDA before foreign exchange of \$23.2 million (FY18: \$19.3 million), reflecting higher revenue generation. The foreign exchange gain in FY19 was \$0.8 million, the same amount as in FY18. EBITDA after foreign exchange was \$24.0 million, compared with \$20.1 million in FY18. Group EBITDA after foreign exchange as a percentage of total revenue was 21.4 per cent (FY18: 19.8 per cent). 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 27.7 per cent (2017: 26.3 per cent).

4.5. Depreciation and Amortisation

Depreciation and amortisation in FY19 was \$2.3 million compared with \$2.1 million in FY18.

4.6. Net Profit After Tax

Underlying Group NPAT was \$14.8 million compared with \$11.9 million in FY18. A tax expense of \$6.0 million represents an effective taxation rate of 29 per cent.

4.7. Net Interest and Net Debt

Net interest charges in FY19 were \$1 million. The Company held total bank facilities of \$59.5 million and had \$12.3 million drawn as at 30 June 2019 with \$1.2 million cash on hand. As at 30 June 2019 the Company had net debt of \$11.1 million. Gearing (net debt/net debt + equity) at 30 June 2019 was 13.6 per cent.

4.8. Operating Cash Flow

Cash flow provided by operating activities for the year was \$14.6 million with a net decrease in cash of \$1.8 million after investing and financing movements.

4.9. Net Assets

The net assets of the Group have increased by \$0.8 million, from \$69.7 million at 30 June 2018 to \$70.6 million at 30 June 2019. Intangible assets increased by \$3.6 million due mainly to the acquisition of AFIP, tax liabilities decreased by \$1.5 million, offset by an increase in net debt of \$2.8 million and an increase in provisions of \$1.9 million.

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DIRECTORS' REPORT

for the year ended 30 June 2019

5. Net profit after tax¹

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

	Year ended	
	30-Jun-19	30-Jun-18
	\$'000	\$'000
Statutory NPAT	11,206	9,513
add: interest	961	835
add: depreciation and amortisation	2,275	2,164
add: tax	5,507	4,469
EBITDA – QANTM Group	19,949	16,981
add: share based payments	33	118
add: employee incentive payments ²	-	742
add: remuneration related to business acquisition	3,070	-
add: new business establishment costs	467	-
less: scheme of arrangement break fee	(1,600)	-
add: restructuring and business acquisition costs	2,096	2,304
Underlying EBITDA – QANTM Group	24,015	20,145
less: depreciation and amortisation	(2,275)	(2,164)
less: interest	(961)	(835)
less: tax	(6,006)	(5,284)
Underlying NPAT - QANTM Group	14,773	11,862

¹ Represents non-IFRS information and is unaudited.

² 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.

DIRECTORS' REPORT
for the year ended 30 June 2019

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, services associated with the creation, protection, commercialisation, enforcement and management of IP rights. The services offered are highly specialised and provided through six IP services businesses operating under three main brands - Davies Collison Cave (DCC), FPA Patent Attorneys (FPA) and, during the 2019 financial year, the Malaysian company, Advanz Fidelis IP Sdn Bhd (AFIP).

Key characteristics of QANTM have included the following:

- attractive industry dynamics, e.g. historical compound annual growth rates 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: attracting and retaining high quality professionals, revenue growth and client retention through offering consistently superior IP services, market and business development activities, including new business services, and, where appropriate, on a strategic and financial basis, merger and acquisition activity. From the foregoing activities, the Group seeks to deliver 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, initially executed through a strategy of establishing a Singapore office presence for both DCC and FPA, managing clients' Asian portfolios and filings and building a local originating presence drawing upon the firm's technical expertise, as well as by selective professional appointments. More recently, the strategy has entailed the acquisition of Advanz Fidelis IP Sdn Bhd, an incorporated intellectual property prosecution and advisory practice operating in Malaysia;
- 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, market competitive remuneration arrangements and the provision of share based incentive arrangements aligned to shareholder interests.

DIRECTORS' REPORT

for the year ended 30 June 2019

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

6.3. Priorities

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

- organic revenue generation – marketing, business development and continued evaluation of new service offerings
- new business initiatives, such as the launch of ipervescence Pty Ltd, a joint venture majority-owned by QANTM and established to provide IP strategy and locum services;
- a focus on the generation of an increased EBITDA contribution from Asia, through the utilisation of existing FPA, DCC and AFIP client connections;
- the continued evaluation of strategically and financially logical acquisition opportunities, particularly in Asia;
- a focus on professional development and career progression; enhancement of IP expertise, including bi-lateral recruitment;
- re-alignment of remuneration for the principals who have been with QANTM from IPO in 2016, to reflect market realities; with the extension of employment continuity for the relevant principals for two years secured early in financial year 2020;
- investment in IT processes to enhance and automate some client interfaces, improve systems for information retention and streamline some administrative activities; which will be overseen by a new Chief Transformation Officer commencing with QANTM towards the end of the first half of financial year 2020.

The outlook for the business is likely to continue to be influenced by global trade, geo-political and economic factors and the manner in which developments in any of these areas may affect business and investment confidence. Notwithstanding these external influences, the following factors are expected to have a bearing on the 2020 financial year outlook for the Group:

- following the strong rebound in revenues and earnings in FY19, QANTM expects a return in the 2020 financial year to more modest levels of revenue growth for the two main parts of its business, patents and trademarks;
- legal and litigation revenues are expected to be materially lower in 2020, given the strong first half in FY19, and subsequent second half completion of case load work and corresponding abatement in revenues;
- increased investment in the business, with a corresponding budgeted increase in operating expenses;
- the areas of increased expenditure include the re-alignment of remuneration for those principals with QANTM since IPO, to reflect market conditions, and in conjunction with an extension of the employment continuity arrangements for twenty-four principals for a further two years;
- recent promotions of personnel within DCC and FPA, and impending promotion of three senior AFIP employees to the role of principal; and
- an investment in the Group's business processes and systems with benefits expected to be realised, in efficiencies and revenue-enhancement terms, in subsequent years.

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 Company operates in sectors that are subject to vigorous competition based on factors including price, responsiveness, service delivery (including increased use of technology), and the ability to provide clients with an appropriate range of IP services. Actions by existing competitors, entry of new competitors, insourcing of IP services by key clients, changing client expectations (including an expansion of fixed price requirements and reduced tolerance for scale charges) or failure by the Company to meet changing market conditions could adversely impact the Company's competitive position which may result in a decline in Service Charges and margins of the Company, which may have a material adverse effect on the financial results.

DIRECTORS' REPORT
for the year ended 30 June 2019

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

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 Group relies on maintaining its relationship with its high performing principals and professionals to offer a broad skill set to its clients. 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, and offering a fulfilling work environment and rewarding work. A process of determining succession planning arrangements for key personnel, including the Chief Executive Officer is a forthcoming priority. Principals (apart from those Principals who received equity upon QANTM's IPO) also participate in an employee share plan.

Technology

QANTM's business is heavily dependent upon computerised technology platforms, including customised electronic case management, document management, file management, client relationship management and reporting systems. 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.

The Company relies on software integration, interfaces and communication platforms to manage its businesses in an efficient manner and has comprehensive security arrangements in place to prevent attempted attacks. The application of automation and deeper integration is a key objective and accordingly the management of cyber security risk and continual improvement in system security is a significant priority for management.

There is a residual risk that QANTM's backup protocols, in-built redundancies, restoration procedures and data recovery plans may not be adequate to enable timely recovery in all conceivable circumstances, including natural disasters, acts of terrorism or war, failure of utilities, sabotage, including breaches of cyber security and malicious hacking, or system failure due to other causes. A serious breach of privacy caused by a cyber-attack could result in damage to brand reputation, financial loss and permanent loss of revenue. Levels of redundancy and backup are built into IT systems to provide system availability and protection of data.

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

For further details on key risks to QANTM's business, 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 2019 financial year.

The directors present the remuneration report for the year ending 30 June 2019. The information provided in this report has been audited as required by section 300A of the Corporations Act 2001.

DIRECTORS' REPORT
for the year ended 30 June 2019

8. Remuneration Report (Audited)

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 2019 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 KMP;
- Role of the People, Remuneration and Culture Committee;
- Non-Executive Director remuneration;
- Executive remuneration framework;
- Relationship between the remuneration policy and Group performance;
- FY19 Executive Incentive Outcomes
- Key terms of KMP employment contracts;
- Remuneration of KMP;
- KMP equity holdings.

Key Management Personnel

The directors and other KMP of the Group during, or since the end of the 2019 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 Martin Cleaver	Chief Financial Officer (CFO) and Company Secretary
Mr James Cherry	FPA Managing Principal
Mr Jern Ern Chuah ¹	CEO Advanz Fidelis IP Sdn Bhd
Mr Michael Wolnizer	DCC Group Managing Principal
Mr David Webber	DCC Patent Managing Principal
Mr Adam Sears	DCC Trade Marks Managing Principal
Mr Christopher Jordan	DCC Law Managing Principal

The KMP named held their respective positions for the whole of the financial year.

Role of the People, Remuneration and Culture Committee

The board has in place a People, Remuneration and Culture Committee ("PRCC") which operates in accordance with a charter approved by the board. The PRCC is comprised of independent, non-executive directors, and assists and advises the board on remuneration policies and practices for the board, the CEO, the CFO, and other KMP.

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

- has a Board possessing an appropriate range of skills, experience and expertise to discharge effectively its responsibilities and duties;

¹Mr Chuah commenced as one of the KMP on 2 July 2018 upon the acquisition by QANTM of AFIP.

DIRECTORS' REPORT
for the year ended 30 June 2019

8. Remuneration Report (Audited) (continued)

Role of the People, Remuneration and Culture Committee (continued)

- has in place and operates in accordance with coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders; 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's responsibilities also include reviewing and making recommendations to the board with respect to remuneration of non-executive directors for serving on the board and any committee (both individually and in total), and remuneration and incentives for executive directors. The terms of the PRCC Charter are published on the Company's website.

The PRCC engaged HRascent as a remuneration consultant during FY19. HRascent provided benchmarking information to the board, however, HRascent did not provide any remuneration recommendations during FY19.

Non-Executive Director's Remuneration

Under the QANTM 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 in any financial year exceed in aggregate \$850,000 or such higher maximum amount as is determined from time to time by the shareholders of the Company in general meeting. There has been no change in this aggregate fee limit during FY19. There is no performance remuneration for non-executive directors. During FY17 the board decided to reduce the fees paid to non-executive directors on a temporary basis. The reduced fees continued until 31 October 2018, then reverted to the previous fee policy from 1 November 2018. The current annual fees are:

Chairman:	\$200,000
Non-Executive Director:	\$120,000 (including Committee fees)

Directors and the chairman may also be reimbursed for expenses reasonably incurred in attending to the Company's 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 outside their 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 in this report.

Each of the non-executive directors holds shares in the Company, providing a direct alignment of interests with the performance of the QANTM business, and the interests of other shareholders. As of 2 August 2019, the Board has adopted a requirement that each non-executive director must hold (or have a benefit in) shares in the Company equivalent to at least one year's base fees for that director. Such holdings must be acquired over three years from 30 August 2019 (for existing non-executive directors) or from the date on which a director joins the board (for other non-executive directors), using personal funds.

Executive Remuneration Framework

The Company's remuneration policy was transitioned during its first year as a listed entity. As a former partner of the Davies Collison Cave partnership, whose business was acquired in connection with QANTM's IPO, the Company's Managing Director and CEO (CEO), Mr Leon Allen, has a substantial shareholding, thereby aligning his interests with the performance of the QANTM business and the interests of other shareholders. The shares issued to the CEO at IPO were also subject to a two-year restriction on trading (which expired in August 2018).

During FY19, the board initiated a review of the remuneration of the CEO, to transition from the standard post-IPO arrangements to appropriate market-based remuneration, reflecting the size and complexity of the Company and its business, and the market within which the Company operates. As a result, the board approved an increase in the fixed remuneration of the CEO to \$650,000, effective from 1 September 2018. Consistent with the information provided in the prospectus, the CEO has not participated in a short or long-term incentive plan within the three-year period post-IPO.

DIRECTORS' REPORT

for the year ended 30 June 2019

8. Remuneration Report (Audited) (continued)

Executive Remuneration Framework (continued)

Messrs Cherry, Wolnizer, Webber, Sears and Jordan were also partners in the pre-IPO entities and also have substantial equity ownership in the Company. Likewise, this provides strong alignment between the interests of these KMP executives and other shareholders' interests. These executive KMP have also not participated in short or long-term incentive plans for the initial three year period post-IPO, have accepted a two-year restriction on trading their IPO share allocations and agreed in their initial employment contracts with the Group to remain employed by the Group for at least a three year period, expiring 31 August 2019.

These executives possess skills critical to the Company and a new remuneration package was agreed to align their remuneration beyond 31 August 2019 with market practice. For the year commencing 1 September 2019, these executive KMP will receive a retention payment of \$52,000 in consideration for an agreement to remain as employees of the relevant QANTM operating subsidiaries for a further minimum period of two years, and an increase in total fixed remuneration to \$348,000/annum (inclusive of superannuation). For the following year, their total fixed remuneration will increase to \$400,000/annum (inclusive of superannuation). They will also participate, for FY20 and FY21, in a short term incentive program which will provide them with an opportunity to earn a bonus of up to approximately 40 per cent of their fixed remuneration, based on performance of the Group and relevant subsidiaries, and achievement of personal performance objectives. It has also been agreed that Mr Cherry will work on a part-time basis, four days per week, from 1 July 2019 and in respect of Mr Cherry, the total fixed remuneration specified above will be reduced on a pro rata basis.

Total Fixed Remuneration (TFR)

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

Following a review undertaken by the PRCC in August 2019, Mr Cleaver's total fixed remuneration will increase to \$360,000 per annum, inclusive of superannuation, with effect from 1 July 2019.

Short Term Incentive (STI) Plan – FY19

During FY19, Mr Cleaver participated in an STI plan in accordance with his employment contract. Mr Cleaver was the only one of the KMP to participate in the STI plan during FY19. 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. Mr Cleaver will again participate in an STI plan in accordance with his employment contract with respect to FY20.

As noted above, the new remuneration package for Messrs Cherry, Jordan, Sears, Webber and Wolnizer will involve participation in an STI plan with respect to FY20.

Long Term Incentive (LTI) Plan – FY19

None of the KMP participated in an LTI plan during FY19.

Relationship between the Remuneration Policy and Group Performance

The following table sets out certain key performance measures since the Group was listed in 2016:

Financial Year	Revenue \$'000s	EBIT \$'000s	NPAT \$'000s	Dividends per share cents	EPS cents	EPS % change (year on year)	Share price 30 June \$
2017	99,520	11,018	7,180	3.6	5.40	-	\$1.27
2018	101,716	14,817	9,513	7.1	7.16	33%	\$1.05
2019	112,170	17,674	11,206	8.3	8.42	18%	\$1.42

DIRECTORS' REPORT
for the year ended 30 June 2019

FY19 Executive Incentive Outcomes

Short Term Incentive Plan

Mr Cleaver, CFO and Company Secretary, was the only KMP executive to participate in an STI plan for FY19. His performance against KPIs agreed with the Managing Director and CEO, was assessed at the end of FY19 when, based on the recommendation of the Managing Director and CEO, the board approved a payment of \$65,200. The following table provides details of the proportion of the STI that vested:

Name	STI Opportunity	% Achieved	% Forfeited
M Cleaver	20% of TFR	100%	0%

Mr Cleaver's STI payment was based on a combination of Company performance and achievement of individual KPIs based on financial outcomes, merger and acquisition activity and strategic initiatives.

Long Term Incentive Plan

There are currently no KMP participants in a Company LTI plan, and no KMP received any benefits under an LTI plan in FY19.

Executive Remuneration Mix

The relative proportions of executive KMP remuneration that are linked to performance are set out below:

	Fixed remuneration		Remuneration linked to performance	
	2019	2018	2019	2018
Executive Director				
Mr Leon Allen	100%	100%	-	-
Executive Officers				
Mr Martin Cleaver	83%	86%	17%	14%
Mr James Cherry	100%	100%	-	-
Mr Michael Wolnizer	100%	100%	-	-
Mr Jern Ern Chuah	100%	100%	-	-
Mr David Webber	100%	100%	-	-
Mr Adam Sears	100%	100%	-	-
Mr Christopher Jordan	100%	100%	-	-

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.

As noted above, the employment contracts for Messrs Cherry, Wolnizer, Webber, Sears and Jordan have been amended for the 12 month periods commencing 1 September 2019 and 1 September 2020.

DIRECTORS' REPORT
for the year ended 30 June 2019

8. Remuneration Report (Audited) (continued)

Key terms of Employment Contracts

The key provisions of executive KMP employment contracts relating to remuneration are outlined below:

Executive Director	Terms of agreement	Base salary¹	Notice period
Mr Leon Allen	3 years (31 Aug 2016 – 31 Aug 2019)	\$628,997 ²	6 months
Executive Officers			
Mr Martin Cleaver	30 August 2017 to unspecified date	\$305,397	12 weeks
Mr James Cherry	3 years (31 Aug 2016 – 31 Aug 2019)	\$238,212	6 months
Mr Michael Wolnizer	3 years (31 Aug 2016 – 31 Aug 2019)	\$238,212	6 months
Mr Jern Ern Chuah	3 years (1 July 2018 – 30 June 2021)	\$ 52,416 ³	6 months
Mr David Webber	3 years (31 Aug 2016 – 31 Aug 2019)	\$238,212	6 months
Mr Adam Sears	3 years (31 Aug 2016 – 31 Aug 2019)	\$238,212	6 months
Mr Christopher Jordan	3 years (31 Aug 2016 – 31 Aug 2019)	\$238,212	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.

As noted above, the employment contracts for Messrs Cherry, Wolnizer, Webber, Sears and Jordan have been amended for the 12 month periods commencing 1 September 2019 and 1 September 2020.

¹ Excluding superannuation

² Effective from 1 September 2018

³ Exchange rate RM to AUD of 0.336

QANTM Intellectual Property Limited and Controlled Entities

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DIRECTORS' REPORT

for the year ended 30 June 2019

8. Remuneration Report (Audited) (continued)

Remuneration of KMP ¹		Short term employee benefits				Post-employment benefits	Long term employee benefits	Share based payments	Total
	Year	Salary and fees \$	Cash bonus \$	Non-Monetary ² \$	Other \$	Superannuation \$	Long Service and other Leave \$		\$
Non-Executive Directors									
Mr Richard England	2019	193,333	-	-	-	-	-	-	193,333
	2018	190,000	-	-	-	-	-	-	190,000
Ms Abigail Cheadle	2019	116,000	-	-	-	-	-	-	116,000
	2018	114,000	-	-	-	-	-	-	114,000
Mr Cameron Judson	2019	116,000	-	-	-	-	-	-	116,000
	2018	114,000	-	-	48,000 ³	-	-	-	162,000
Ms Sonia Petering	2019	116,000	-	-	-	-	-	-	116,000
	2018	114,000	-	-	-	-	-	-	114,000
Executive Director									
Mr Leon Allen	2019	550,133	-	11,472	-	20,531	80,041	-	662,177
	2018	224,318	-	18,952	-	21,768	5,540	-	270,578
Executive Officers									
Mr Martin Cleaver ⁴	2019	305,469	59,543	-	108,667 ⁵	20,531	5,117	-	499,327
	2018	244,746	46,758	-	-	25,752	4,652	-	321,908
Mr James Cherry	2019	238,776	-	14,728	-	20,531	4,387	-	278,422
	2018	231,925	-	13,169	-	20,049	4,289	-	269,432
Mr Michael Wolnizer	2019	238,212	-	11,472	-	19,544	5,933	-	275,161
	2018	224,318	-	18,952	-	22,023	6,109	-	271,402
Mr Jern Ern Chuah ⁶	2019	51,874	-	1,574	3,067,000 ⁷	18,420	-	-	3,138,868
	2018	-	-	-	-	-	-	-	-
Mr David Webber	2019	237,999	-	11,472	-	20,642	7,289	-	277,402
	2018	221,181	-	19,112	-	25,000	7,096	-	272,389
Mr Adam Sears	2019	238,000	-	11,472	-	20,426	4,842	-	274,740
	2018	222,156	-	18,137	-	25,000	5,424	-	270,717
Mr Christopher Jordan	2019	233,744	-	11,472	-	24,363	5,108	-	274,687
	2018	224,318	-	18,952	-	21,343	5,591	-	270,204
Ceased Executives									
Mr Warren Howe ⁸	2019	-	-	-	-	-	-	-	-
	2018	42,150	-	-	75,000 ⁹	4,004	-	-	121,154

QANTM Intellectual Property Limited and Controlled Entities

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DIRECTORS' REPORT

for the year ended 30 June 2019

8. Remuneration Report (Audited) (continued)

Remuneration of KMP (continued)

Explanatory notes to the table on the preceding page:

1. On an accruals, rather than cash, basis.
2. Includes car parking, medical insurance, and, for FY18, salary sacrificed for fees for accounting and tax advice.
3. Mr Judson received \$48,000 during FY18 for the provision of M&A and HR consulting services.
4. Mr Cleaver commenced with the Group as CFO and Company Secretary on 30 August 2017.
5. Accrual as at 30 June 2019 with respect to Mr Cleaver's retention bonus – see commentary on *Cash Bonuses* below.
6. Mr Chuah became a KMP on 1 July 2018 with the acquisition by QANTM of Advanz Fidelis IP Sdn Bhd.
7. Mr Chuah received a payment of \$3,067,000 as a deferred purchase price instalment in connection with QANTM's acquisition of Advanz Fidelis IP Sdn Bhd.
8. Mr Howe ceased as the CFO and Company Secretary on 30 August 2017. The above remuneration is for the part of FY18 during which he was a KMP, and includes car parking and salary sacrificed for fees for accounting and tax advice.
9. Represents annual leave and Mr Howe's termination payment.

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 \$65,200, paid in August 2019, with respect to his performance in FY19. In October 2018, Mr Cleaver was also offered the opportunity to participate in a retention plan, given the importance of securing his ongoing service to QANTM Group while QANTM was negotiating two potential alternative merger transactions, with IPH Limited and Xenith IP Group Ltd, each of which involved uncertain employment outcomes for Mr Cleaver. Mr Cleaver will receive a cash retention payment equal to \$163,000 on 24 October 2019, subject to conditions including that he remains employed and has not given notice of termination of employment as at that date.

Employee retention rights plan

The Company has in previous years had in place a retention rights plan to assist with the retention of KMP who are not associated with the pre-IPO owners, which involved the issue of retention rights capable of conversion into a fully paid share after a two-year vesting period. At the end of FY19, there were no current KMP participants in the retention rights plan.

During FY19, there were no share-based payments granted as compensation to KMPs and no performance share rights held by KMP were exercised or forfeited, or expired.

KMP equity holdings

The number of shares in the Company held at the beginning and end of FY19 by each director and KMP (including shares held by a close member of the family of that person or an entity over which the person or a family member has, either directly or indirectly, control, joint control or significant influence) are set out on the next page.

QANTM Intellectual Property Limited and Controlled Entities

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DIRECTORS' REPORT

for the year ended 30 June 2019

8. Remuneration Report (Audited) (continued)

	Balance at 1 July 2018	Granted as compensation during the year	Received on exercise of rights during the year	Other changes during the year	Balance at 30 June 2019
Name	Number of ordinary shares	Number of ordinary shares	Number of ordinary shares	Number of ordinary shares	Number of ordinary shares
Mr Richard England	135,134	-	-	-	135,134
Ms Abigail Cheadle	90,090	-	-	(45,045)	45,045
Mr Cameron Judson	45,044	-	-	-	45,044
Ms Sonia Petering	45,044	-	-	-	45,044
Mr Leon Allen	2,037,227	-	-	-	2,037,227
Mr Martin Cleaver	6,000	-	-	-	6,000
Mr James Cherry	2,899,325	-	-	(864,969)	2,034,356
Mr Michael Wolnizer	2,045,928	-	-	-	2,045,928
Mr Jern Chuah	-	-	-	273,612	273,612
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:

Final fully franked ordinary dividend of 4.3 cents per share paid on 3 October 2018: \$5,721,000.

Interim fully franked ordinary dividend of 3.5 cents per share paid on 28 March 2019: \$4,657,000.

In respect of the year ended 30 June 2019, the directors resolved to pay a fully franked final dividend of 4.8 cents per share. The record date will be 5 September 2019. As such the dividend has not been included as a liability in these financial statements. The total dividend to be paid is \$6.4 million (2018: \$5.7 million).

10. Events after the reporting date

No 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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT

for the year ended 30 June 2019

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

The auditor received \$15,000 for other 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 2019, has been received and can be found on page 25 of the financial report.

QANTM Intellectual Property Limited and Controlled Entities

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DIRECTORS' REPORT

for the year ended 30 June 2019

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) (the 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 approved by the board will be lodged together with an Appendix 4G at the same time or prior to the lodgement of the Company's Annual Report 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 2019

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

29 August 2019

Dear Board Members

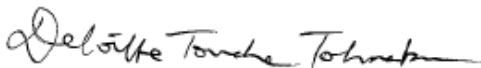
Auditor's Independence Declaration to QANTM Intellectual Property Limited

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.

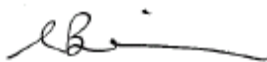
As lead audit partner for the audit of the financial report of QANTM Intellectual Property Limited for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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



Chris Biermann
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 2019

		2019 \$'000	2018 \$'000
	Note		
Service Charges		86,504	76,511
Associate Charges		25,666	25,205
Total Revenue from Contracts with Customers	3(a)	112,170	101,716
Other income	3(b)	4,465	2,899
Employee benefits expenses:			
- ordinary		(49,053)	(44,756)
- related to business acquisition		(3,070)	-
Recoverable expenses		(23,891)	(23,382)
Occupancy expenses	4	(6,874)	(6,485)
Restructuring and business acquisition expenses	4	(2,096)	(2,304)
Other expenses	4	(11,702)	(10,707)
Earnings before depreciation and amortisation, finance costs and income tax		19,949	16,981
Depreciation and amortisation		(2,275)	(2,164)
Earnings before finance costs and income tax		17,674	14,817
Finance costs		(961)	(835)
Profit before income tax		16,713	13,982
Income tax expense	5	(5,507)	(4,469)
Net profit for the year		11,206	9,513
Other comprehensive income, net of income tax			
Other comprehensive income		-	-
Total comprehensive income for the year		11,206	9,513
Net profit attributable to:			
Members of the parent entity		11,206	9,513
Total comprehensive income attributable to:			
Members of the parent entity		11,206	9,513
Earnings per share			
Basic earnings per share (cents)	20	8.42	7.16
Diluted earnings per share (cents)	20	8.42	7.15

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 2019

		2019 \$'000	2018 \$'000
	Note		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	1,181	3,093
Trade and other receivables	7	31,992	31,578
Other assets	8	1,489	1,239
Total current assets		34,662	35,910
NON-CURRENT ASSETS			
Other assets	8	-	8
Property, plant and equipment	9	2,530	2,663
Intangible assets	10	69,851	66,294
Total non-current assets		72,381	68,965
TOTAL ASSETS		107,043	104,875
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	9,537	9,461
Provisions	12	8,038	6,402
Borrowings	13	133	226
Other financial liabilities	14	39	84
Current income tax liabilities		2,340	3,182
Total current liabilities		20,087	19,355
NON-CURRENT LIABILITIES			
Provisions	12	3,073	2,800
Borrowings	13	12,187	11,249
Deferred income tax liabilities	15	1,115	1,751
Total non-current liabilities		16,375	15,800
TOTAL LIABILITIES		36,462	35,155
NET ASSETS		70,581	69,720
EQUITY			
Issued capital	16	294,075	293,798
Reserves	17	(222,856)	(222,612)
Accumulated losses	18	(638)	(1,466)
TOTAL EQUITY		70,581	69,720

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 2019

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

2019

	Issued Capital \$'000	Reorganisation Reserve \$'000	Share Based Payment Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2018	293,798	(222,856)	244	(1,466)	69,720
Profit attributable to members of the parent entity	-	-	-	11,206	11,206
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	11,206	11,206
Transactions with owners in their capacity as owners					
Employee share schemes	-	-	33	-	33
Dividends paid	-	-	-	(10,378)	(10,378)
Transfer from share based payment reserve on exercise of retention rights	277	-	(277)	-	-
Balance at 30 June 2019	294,075	(222,856)	-	(638)	70,581

The accompanying notes form part of these financial statements.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Consolidated Statement of Cash Flows For the Year Ended 30 June 2019

		2019 \$'000	2018 \$'000
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		117,195	105,899
Scheme break free		1,600	-
Payments to suppliers and employees		(93,319)	(88,792)
Business acquisition related remuneration		(2,072)	-
Interest and costs of finance paid		(961)	(781)
Income tax paid		(7,802)	(4,595)
Net cash generated from operating activities	32(a)	14,641	11,731
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchase of property, plant and equipment	9	(649)	(1,490)
Purchase of intangible assets	10	(1,131)	(225)
Payments to acquire investments	26	(3,050)	-
Business acquisition related costs		(2,096)	(433)
Net cash used in investing activities		(6,927)	(2,148)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from bank borrowings		18,072	-
Repayment of bank borrowings		(17,227)	(4,201)
Dividends paid		(10,378)	(10,765)
Net cash used in financing activities	32(b)	(9,533)	(14,966)
Net decrease in cash and cash equivalents		(1,818)	(5,383)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(94)	136
Cash and cash equivalents at beginning of year		3,093	8,340
Cash and cash equivalents at end of year	6	1,181	3,093

The accompanying notes form part of these financial statements.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies

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 29 August 2019.

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.

New Standards Adopted As At 1 July 2018

AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* became mandatorily effective on 1 July 2018. Accordingly, these standards apply for the first time to this set of financial statements. The nature and effect of changes arising from these standards are summarized in the section below.

AASB 15 *Revenue from Contracts with Customers* replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations.

The Group's adoption of AASB 15 has not had a material effect on the Group. The Group has changed its revenue accounting policies, please refer to Note 1(d).

AASB 9 *Financial Instruments* replaces AASB 139 *'Financial Instruments: Recognition and Measurement'*. The new Standard makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

The Group's adoption of AASB 9 has not had a material effect on the Group. The Group has changed its financial instruments accounting policies, please refer to Note 1(k).

The following table represents the classification and measurement of financial assets and financial liabilities under AASB 9 and AASB 139 at the date of initial application, 1 July 2018.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (continued)

New Standards Adopted As At 1 July 2018 (continued)

Financial Instruments as at 30 June 2018	AASB 139 Classification	AASB 9 Classification	Carrying Amount per AASB 139 on 30 June 2018 \$'000	Carrying Amount per AASB 9 on 1 July 2018 \$'000
Trade and other receivables	Loans and receivables (Amortised cost)	Amortised Cost	31,578	31,578
Trade and other payables	Amortised cost	Amortised cost	9,461	9,461
Borrowings	Amortised cost	Amortised cost	11,475	11,475
Financial liabilities	Fair value through Profit & Loss	Fair value through Profit & Loss	84	84

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

(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 25.

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.

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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (continued)

New Standards Adopted As At 1 July 2018 (continued)

(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:

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

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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (continued)

New Standards adopted as at 1 July 2018 (continued)

(d) Revenue Recognition

The Group has applied AASB 15: *Revenue from Contracts with Customers* using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: *Revenue* and AASB 111: *Construction Contracts*. The details of accounting policies under AASB 118 and AASB 111 are disclosed separately since they are different from those under AASB 15. See Note 3 for detailed disclosures on reportable segments.

In the Comparative Period

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.

In the Current Period

Revenue from contracts with customers is recognised so as to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled, in exchange for those goods or services.

Revenue is recognised in accordance with the following five-step process:

1. Identifying the contract with the customer;
2. Identifying the performance obligations in the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations in the contract; and
5. Recognising revenue as and when the performance obligations are satisfied.

The Group generate revenue by providing services associated with the creation, protection, commercialisation, enforcement and management of intellectual property (IP) rights. Total Revenue from Contracts with Customers comprises Service Charges and Associate Charges.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (continued)

(d) Revenue Recognition (continued)

Service Charges

Service Charge revenue is earned by providing professional services to clients for ongoing protection of intellectual property.

Service Charge revenue received from the filing of patent or trademark with IP Australia, examination, advisory, grant and maintenance/renewal services have performance obligations that are satisfied at a point in time. Upon completion of these performance obligations, the Group is entitled to payment for services performed.

Service Charge revenue received from examination responses, litigation and advisory services have performance obligations that are satisfied over time. Upon completion of these performance obligations, the Group is entitled to payment for services performed.

Revenue arising from services that relate to performance obligations satisfied over time are recognised on a progressive basis using the input method. The input method is used by assessing the time and costs incurred on an engagement.

There is no significant financing component because sales are made within a credit terms of 30 days.

Associate Charges

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. Associate Charge revenue performance obligations are satisfied at a point in time. Upon completion of these performance obligations, the Group is entitled to payment for services performed.

There is no significant financing component because sales are made within a credit terms of 30 days.

Interest Revenue

Interest is recognised using the effective interest method.

(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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (continued)

(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.

(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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (continued)

(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.

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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (continued)

(i) Income Tax (continued)

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.

(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

The Group has applied AASB 9: *Financial Instruments* using the cumulative effective method. Therefore comparative information has not been restated and continued to be presented under AASB 139: *Financial Instruments*. The details of accounting policies under AASB 139 are disclosed separately since they are different from those under AASB 9.

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15: *Revenue from Contracts with Customers*.

QANTM Intellectual Property Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (continued)

(k) Financial instruments (continued)

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial Assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (continued)

(k) Financial Instruments (continued)

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings is documented appropriately, so the performance of the financial liability that is part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of Financial Liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of Financial Assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).

QANTM Intellectual Property Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (continued)

(k) Financial instruments (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which the Group elected to classify under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment

Impairment of financial assets is recognised based on the lifetime expected credit loss which is determined when the credit risk on a financial asset has increased significantly since initial recognition. In order to determine whether there has been a significant increase in credit risk since initial recognition, the entity compares the risk of default as at the reporting date with risk of default as at initial recognition using reasonable and supportable data, unless the financial asset is determined to have a low credit risk at the reporting date.

For trade and other receivables, the simplified approach is used, which requires recognition of a loss allowance based on the lifetime expected credit losses. As a practical expedient, the Group uses a provision matrix based on historical information and adjusted for forward looking estimates in order to determine the lifetime expected credit losses

(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
Office Equipment	5-15 years

QANTM Intellectual Property Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (continued)

Assets under finance

Term of lease

(l) Property, Plant and Equipment (continued)

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.

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 between 16 and 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	16 - 20 years	Straight line
Software	5 years	Straight line

QANTM Intellectual Property Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (continued)

(m) Intangibles (continued)

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.

(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).

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(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.

**Notes to the Financial Statements
For the Year Ended 30 June 2019**

1 Summary of Significant Accounting Policies (continued)

(p) Leases (continued)

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.

(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 per cent 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.

QANTM Intellectual Property Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

1 Statement 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.

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:

QANTM Intellectual Property Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

1 Statement of Significant Accounting Policies (continued)

(x) Critical Accounting Estimates and Judgements (continued)

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 Note 10.

Acquisition of Advanz Fidelis

On 2 July 2018, the Company acquired Advanz Fidelis IP Sdn Bhd for an up-front cash payment of \$2.75 million and \$0.3 million for the fixed assets, plus two contingent payments based on an agreed earn out formula. The purchase price accounting involves judgement and complexity in the purchase price allocation, including determining the fair values of the acquired assets and liabilities, as well as determining the appropriate accounting treatment of the contingent consideration as either purchase consideration or remuneration. Further details are disclosed in Note 26.

(y) New Accounting Standards for Application in Future Periods

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. None of the other standards and interpretations materially impact the Group.

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

The Group has chosen not to early-adopt AASB 16. However, the Group has conducted a preliminary assessment of the impact of this new Standard, as follows.

A core change resulting from applying AASB 16 is that most leases will be recognised on the balance sheet by lessees as the standard no longer differentiates between operating and finance leases. An asset and a financial liability are recognised in accordance to this new Standard. There are, however, two exceptions allowed, short-term and low-value leases, however the impact of these is not material.

The accounting for the Group's operating leases will be primarily affected by this new Standard.

AASB 16 will be applied by the Group from its mandatory adoption date of 1 July 2019. The comparative amounts for the year prior to first adoption will not be restated, as the Group has chosen to apply AASB 16 retrospectively with cumulative effect. Right-of-use assets for property leases will be measured at the amount of the lease liability on adoption which will result in recognition of right-of-use assets of \$21.2 million and a lease liability of \$21.2 million

Implementation of the standard will increase reported EBITDA going forward as a result of rental expense being replaced by depreciation and an interest charge. The impact of this change is an increase in interest expense of approximately \$0.8 million, an increase in depreciation of approximately \$4.3 million and an increase in EBITDA of approximately \$6.0 million.

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Notes to the Financial Statements For the Year Ended 30 June 2019

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.

	AUSTRALIA		ASIA		TOTAL	
Full-year ended	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Service Charges	81,534	73,230	4,970	3,281	86,504	76,511
Associate Charges	24,577	24,818	1,089	387	25,666	25,205
Total Revenue	106,111	98,048	6,059	3,668	112,170	101,716
Other Income	2,749	2,894	116	5	2,865	2,899
Recoverable Expenses	(22,806)	(22,954)	(1,085)	(428)	(23,891)	(23,382)
Net Revenue	86,054	77,987	5,090	3,246	91,144	81,233
Overheads	(63,088)	(58,060)	(4,041)	(3,028)	(67,129)	(61,088)
Earnings Before Interest, Tax, Depreciation and Amortisation	22,966	19,927	1,049	218	24,015	20,145
Depreciation	(805)	(1,042)	(116)	(117)	(921)	(1,159)
Amortisation	(1,165)	(1,005)	(189)	-	(1,354)	(1,005)
Segment profit before finance costs and income tax	20,996	17,880	744	101	21,740	17,981
Adjustments to reconcile to statutory profit						
Share based payments	(33)	(118)	-	-	(33)	(118)
Employee incentive payments	-	(742)	-	-	-	(742)
Remuneration related to business acquisition	-	-	(3,070)	-	(3,070)	-
New business establishment costs	(125)	-	(342)	-	(467)	-
Scheme of arrangement break fee	1,600	-	-	-	1,600	-
Restructure and business acquisition costs	(2,096)	(2,304)	-	-	(2,096)	(2,304)
Statutory profit/(loss) before finance costs and income tax	20,342	14,716	(2,668)	101	17,674	14,817
Finance costs – Interest					(961)	(835)
Profit/(loss) for the period before income tax					16,713	13,982

Major customers

No single customer contributed 10 per cent or more of the Group's revenue during either the year ended 30 June 2019 or 2018.

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Notes to the Financial Statements For the Year Ended 30 June 2019

3(a) Revenue from Contracts Contract

Disaggregated revenue

The Group has disaggregated revenue into various categories in the following table. The revenue is disaggregated by geographical market, service lines and timing of revenue recognition.

	2019 \$'000	2018 \$'000
Geographical markets		
Australia	106,111	98,048
Asia	6,059	3,668
	112,170	101,716
Service Lines		
Service Charges	86,504	76,511
Associate Charges	25,666	25,205
	112,170	101,716
Timing of revenue recognition		
At a point in time	60,426	54,951
Over time	51,744	46,765
	112,170	101,716
3(b) Other income		
Foreign exchange gains	796	794
Other income	3,669	2,105
	4,465	2,899

Included in Other income is a \$1.6 million break fee received in connection with the proposed scheme of arrangement between QANTM Intellectual Property Limited and Xenith IP Group Ltd (Xenith). The break fee was paid to QANTM by Xenith after Xenith's Board of Directors recommended a competing proposal to Xenith shareholders. The remainder of other income mainly comprises income received in connection with DCC's strategic alliance with CPA Global Limited (CPA). CPA specialises in the provision of patent, design and trade mark renewal and 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.

QANTM Intellectual Property Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

		2019 \$'000	2018 \$'000
	Note		
4 Expenses			
The result for the year includes the following specific expenses:			
Operating lease expenses			
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.		6,018	5,801
Restructuring and business acquisition expenses			
- Restructuring costs		-	1,857
- Business acquisition costs		2,096	447
		2,096	2,304
Other expenses			
- Travel and entertainment		3,055	2,455
- Technology costs		3,488	3,338
- Marketing		1,226	1,402
- Other expenses		3,933	3,512
		11,702	10,707
5 Income Tax Expense			
(a) The major components of tax expense comprise:			
Current tax expense		6,507	4,225
Deferred tax expense	5(b)	(1,505)	230
Under/over provision from previous years		505	14
Income tax expense	5(c)	5,507	4,469

QANTM Intellectual Property Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
Note		
5 Income Tax Expense (continued)		
(b) Deferred income tax expense included in income tax expense comprises:		
(Increase) / decrease in deferred tax asset	(929)	616
Decrease in deferred tax liability	(576)	(386)
	(1,505)	230
(c) Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax	16,713	13,982
Income tax expenses calculated at 30%	5,014	4,195
Tax effect of differential corporate tax rate	(15)	-
Add tax effect of:		
- Non-deductible expenses	924	228
- Other	64	46
Less tax effect of:		
- Non-assessable income	(480)	-
Income tax expense	5,507	4,469
The applicable weighted average effective tax rates are as follows:	33%	32%
(d) Unrecognised deferred tax asset:		
The amount of deductible temporary differences and unused capital tax losses for which no deferred tax asset has been recognised.		
Potential tax benefit at 30 per cent (2018: 30 per cent)	16,062	16,542
Deferred tax assets have not been recognised to the extent that it is not probable that taxable profit will be available against which the losses can be utilised.		
6 Cash and Cash Equivalents		
Cash on hand	10	10
Cash at bank	1,171	3,083
	1,181	3,093

QANTM Intellectual Property Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

		2019 \$'000	2018 \$'000
	Note		
7 Trade and Other Receivables			
CURRENT			
Trade receivables	7(a)	32,101	31,712
Less: Provision for impairment of trade receivables	7(b)	(568)	(615)
		<u>31,533</u>	<u>31,097</u>
Other receivables		459	481
Total current trade and other receivables		<u>31,992</u>	<u>31,578</u>
(a) Aged analysis			
The ageing analysis of current trade receivables is as follows:			
0-30 days		13,666	14,062
31-60 days		7,720	5,767
61-90 days (past due not impaired)		3,943	3,941
91+ days (past due not impaired)		6,204	7,420
91+ days (past due and impaired)		568	522
		<u>32,101</u>	<u>31,712</u>
(b) Impairment of trade receivables			
Reconciliation of changes in the provision for impairment of trade receivables is as follows:			
Balance at beginning of the year		615	626
Additional provisions recognised		625	525
Receivables written off during the year as uncollectable		(672)	(536)
Balance at end of the year		<u>568</u>	<u>615</u>
8 Other Assets			
CURRENT			
Prepayments		1,481	1,184
Deferred borrowing costs ¹		8	55
		<u>1,489</u>	<u>1,239</u>
NON-CURRENT			
Deferred borrowing costs ¹		-	8
		<u>-</u>	<u>8</u>

¹Amortised over three years

QANTM Intellectual Property Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
Note		
9 Property, plant and equipment		
Leasehold improvements		
At cost	2,072	1,987
Accumulated depreciation	(1,904)	(1,782)
Net carrying value of leasehold improvements	168	205
Office equipment		
At cost	3,503	2,800
Accumulated depreciation	(1,685)	(1,177)
Net carrying value office equipment	1,818	1,623
Assets under finance		
At cost	1,395	1,395
Accumulated depreciation	(851)	(560)
Net carrying value of assets under finance	544	835
Total property, plant and equipment	2,530	2,663

(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:

	Note			
	Leasehold Improvements \$'000	Office Equipment \$'000	Assets under finance \$'000	Total \$'000
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
2019				
Opening balance at 1 July 2018	205	1,623	835	2,663
Additions at cost	85	564	-	649
Additions through business combinations	-	139	-	139
Disposals - written down value	-	-	-	-
Depreciation expense	(122)	(508)	(291)	(921)
Closing balance at 30 June 2019	168	1,818	544	2,530

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Notes to the Financial Statements For the Year Ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
10 Intangible Assets			
Goodwill			
Balance at beginning of period		45,836	45,836
Accumulated impairment losses		-	-
Net carrying value of goodwill		45,836	45,836
Brand names			
Balance at beginning of period		2,700	2,700
Acquisitions through business combinations		818	-
Accumulated impairment losses		-	-
Net carrying value of brand names		3,518	2,700
Client relationships			
Balance at beginning of period		19,300	19,300
Acquisitions through business combinations		2,801	-
Accumulated amortisation bought forward		(1,797)	(825)
Amortisation charge for the period		(1,136)	(972)
Net carrying value of client relationships		19,168	17,503
Software			
Balance at beginning of period		311	86
Additions at cost		1,131	225
Acquisitions through business combinations		161	-
Accumulated amortisation bought forward		(56)	(33)
Amortisation charge for the period		(218)	(23)
Net carrying value of software		1,329	255
Total Intangibles		69,851	66,294

(a) Movements in carrying amounts of intangible assets

	Note	Goodwill \$'000	Brand Name \$'000	Client Relationship \$'000	Software \$'000	Total \$'000
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
2019						
Opening balance at 1 July 2018		45,836	2,700	17,503	255	66,294
Additions		-	-	-	1,131	1,131
Additions through business combinations	26	-	818	2,801	161	3,780
Amortisation		-	-	(1,136)	(218)	(1,354)
Closing balance at 30 June 2019		45,836	3,518	19,168	1,329	69,851

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Notes to the Financial Statements For the Year Ended 30 June 2019

10 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:

	2019 \$'000	2018 \$'000
Goodwill	45,836	45,836
Brand names	2,700	2,700
Customer relationships (at amortised cost)	16,541	17,503
Software	472	255
	65,549	66,294

(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 per cent - 4.4 per cent from FY2020 to FY2024;
- 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 per cent;
- post-tax discount rate of 10.5 per cent (Pre-tax discount 15.0 per cent).

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 2019.

Based on the recoverable amount of the FPA CGU exceeding its aggregate carrying amount at 30 June 2019 there was no impairment charge.

Management's sensitivity analysis has determined that no impairment charge would arise as a result of the following changes in assumptions (holding all other assumptions constant):

- an increase in the discount rate by 1.0 per cent;
- a decrease in the long term growth rate by 1.5 per cent.

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	2019 \$'000	2018 \$'000
11 Trade and Other Payables		
CURRENT		
Trade payables	5,243	5,389
GST payable	123	103
Other payables and accruals	4,171	3,969
Total current trade and other payables	9,537	9,461
12 Provisions		
CURRENT		
Employee benefits	7,850	6,311
Lease incentive provisions	188	91
Total current provisions	8,038	6,402
NON-CURRENT		
Employee benefits	788	329
Lease incentive provisions	2,285	2,471
Total non-current provisions	3,073	2,800

(a) Movement in Carrying Amounts

	Employee Benefits \$'000	Lease Incentive Provisions \$'000	Total \$'000
Opening balance at 1 July 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
Opening balance at 1 July 2018	6,640	2,562	9,202
Additional provisions	4,649	-	4,649
Provisions used	(2,651)	(89)	(2,740)
Closing balance at 30 June 2019	8,638	2,473	11,111

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		2019 \$'000	2018 \$'000
13 Borrowings	Note		
CURRENT			
Leases	31(a)	133	226
Total current borrowings		133	226
NON-CURRENT			
Bank loans	13(b)	12,072	11,000
Leases	31(a)	115	249
Total non-current borrowings		12,187	11,249
Total borrowings		12,320	11,475
(a) Total Current and Non-Current Secured Borrowings			
Bank loans		12,072	11,000
Leases		248	475
		12,320	11,475

(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.

The facilities have a maturity date of 31 July 2020. 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.

	2019 \$'000	2018 \$'000
Amount unutilised	47,180	48,025
Amount utilised	12,320	11,475
	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.

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Notes to the Financial Statements For the Year Ended 30 June 2019

		2019 \$'000	2018 \$'000
	Note		
14 Other Financial Liabilities			
CURRENT			
Financial liabilities at fair value through profit or loss	22	39	84
		39	84

15 Deferred Income Tax

	Opening Balance \$'000	Recognised in Profit or Loss \$'000	Business Acquisition \$'000	Closing Balance \$'000
Deferred Tax Asset				
Opening balance at 1 July 2018				
Black hole expenses	1,592	(138)	-	1,454
Other assets	11	(99)	-	(88)
Trade payables	206	678	-	884
Provisions	2,907	488	-	3,395
Closing balance at 30 June 2019	4,716	929	-	5,645

	Opening Balance \$'000	Recognised in Profit or Loss \$'000	Business Acquisition \$'000	Closing Balance \$'000
Deferred Tax Liability				
Opening balance at 1 July 2018				
Trade receivables	(131)	6	-	(125)
Other assets	(72)	58	-	(14)
Property, plant and equipment	(98)	65	-	(33)
Intangible assets	(6,061)	(380)	(869)	(6,550)
Trade payables	(105)	67	-	(38)
Closing balance at 30 June 2019	(6,467)	576	(869)	(6,760)
Net deferred tax	(1,751)	1,505	(869)	(1,115)

QANTM Intellectual Property Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
16 Issued Capital		
Fully Paid Ordinary Shares	294,075	293,798

There was a \$277,000 transfer from the share based payment reserve on exercise of retention rights to ordinary shares.

(a) Ordinary Shares

	2019 No.	2018 No.
At the beginning of the reporting period	132,900,281	132,900,281
Shares issued during the year:		
Employee Share Schemes	150,443	-
At the end of the reporting period	133,050,724	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

146,393 employee shares were issued during the year due to the exercise of employee retention rights.

(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.

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Notes to the Financial Statements For the Year Ended 30 June 2019

		2019 \$'000	2018 \$'000
17 Reserves	Note		
Share based payment reserve			
Opening balance		244	126
Recognition of share-based payments		33	118
Transfer from Share based payment reserve on exercise of retention rights		(277)	118
	17(a)	-	244
Reorganisation reserve	17(b)	(222,856)	(222,856)
Total reserves		<u>(222,856)</u>	<u>(222,612)</u>

(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 in the reorganisation reserve.

18 Accumulated Losses

Opening balance	(1,466)	(214)
Net profit attributable to the shareholders	11,206	9,513
Ordinary dividends paid	(10,378)	(10,765)
Closing balance	<u>(638)</u>	<u>(1,466)</u>

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Notes to the Financial Statements For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
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19 Dividends

The following dividends were declared and paid:

Interim Dividend – fully franked ordinary

2.8 cents paid 28 March 2018	-	3,721
3.5 cents paid 28 March 2019	4,657	-

Final Dividend – fully franked ordinary

4.3 cents paid 3 October 2018	5,721	-
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In respect of the year ended 30 June 2019, the directors resolved to pay a fully franked final dividend of 4.8 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 \$6.4 million.

There are no income tax consequences arising from this dividend at 30 June 2019.

Franking account

The franking credits available for subsequent financial years at a tax rate of 30%	5,561	3,171
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The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

20 Earnings Per Share

The calculation of Statutory EPS is presented below:

	2019 cents per share	2018 cents per share
Total basic earnings per share	8.42	7.16
Total diluted earnings per share	8.42	7.15

(a) Reconciliation of Earnings Used in Calculating Earnings Per Share

	2019 000's \$	2018 000's \$
Profit for the period attributable to Parent entity	11,206	9,513

(b) Earnings Used to Calculate Overall Earnings Per Share

Earnings used to calculate overall earnings per share	11,206	9,513
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QANTM Intellectual Property Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

20 Earnings Per Share (continued)

(c) Weighted Average Number of Shares Used as the Denominator in Calculation of Earnings Per Share

	2019 No.	2018 No.
Weighted average number of ordinary shares used in calculating basic earnings per share	133,025,926	132,900,281
Adjustments for calculation of diluted earnings per share:		
- Retention rights	-	146,393
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	133,025,926	133,046,674

(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.

21 Share-Based Payments

The Company previously established a long-term incentive plan (LTIP) involving the issue of retention rights to eligible employees, up to a limit calculated as a percentage of their fixed annual remuneration each year, conditional on achievement of stipulated performance criteria, in order to assist in the motivation and retention of key employees. The LTIP was 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 was convertible into one ordinary share of QANTM on exercise. No amounts were paid or payable by the recipient of the retention right, and the retention rights carried neither rights to dividends nor voting rights. The retention rights were 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 was capable of conversion into a fully paid share after a two year vesting period. Vesting was not conditional on any performance conditions, only time and continued service. All rights under that scheme have either vested or were forfeited.

The Group has the following share-based payment schemes:

	2019 No.	2018 No.
Balance at the beginning of the year	146,393	162,158
Number issued / (forfeited) during the financial year	(146,393)	(15,765)
Balance at the end of the year	-	146,393

	2019 \$'000	2018 \$'000
Share based payment expense recognised during the year	\$ 33	\$ 118

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Notes to the Financial Statements For the Year Ended 30 June 2019

21 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	146,393	-	(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.

22 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.

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Notes to the Financial Statements For the Year Ended 30 June 2019

22 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 2018		
Asset exposure	15,352	11,368
Liabilities exposure	(3,228)	(2,390)
Net exposure	12,124	8,978
30 June 2019		
Asset exposure	15,524	10,910
Liabilities exposure	(2,747)	(1,895)
Net exposure	12,777	9,015

Sensitivity Analysis

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

	Increase / (Decrease)	2019 EBITDA impact 000's \$	2019 NPAT impact 000's \$
Change in AUD/USD exchange rate	1 cents / (1 cents)	(650) / 650	(460) / 460

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.

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Notes to the Financial Statements For the Year Ended 30 June 2019

22 Financial Risk Management (continued)

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

	2019		2018	
	Weighted average interest rate	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank loans	2.71%	12,072	3.01	11,000
Net exposure to cash flow interest rate risk		<u>12,072</u>		<u>11,000</u>

	Effective Average Fixed Interest Rate Payable	Notional Principal	
	2019	2018	2019
	%	%	\$'000
Maturity of notional amounts			
1 to 2 years	2.71	3.01	12,072

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.

22 Financial Risk Management (continued)

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

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Notes to the Financial Statements For the Year Ended 30 June 2019

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2018					
Liabilities					
Forward exchange contracts	14	-	84	-	84
Total liabilities		-	84	-	84
30 June 2019					
Liabilities					
Forward exchange contracts	14	-	39	-	39
Total liabilities		-	39	-	39

There were no transfers between levels during the financial year.

23 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.

24 Parent Entity

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

	2019 \$'000	2018 \$'000
Statement of Financial Position		
Current assets	185	234
Total Assets	90,341	87,561
Current liabilities	4,575	3,954
Total Liabilities	6,635	3,955
Equity		
Issued capital	91,809	91,682
Share based payment reserve	-	244
Retained earnings	(8,103)	(8,320)
Total Equity	83,706	83,606
Statement of Profit or Loss and Other Comprehensive Income		
Total profit or loss for the year	10,319	11,079
Total comprehensive income	10,319	11,079

Guarantees

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

QANTM Intellectual Property Limited and Controlled Entities

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Notes to the Financial Statements

For the Year Ended 30 June 2019

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

Contingent Liabilities

At 30 June 2019 and 30 June 2018, 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 2019 or 30 June 2018.

25 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%) ¹ 2019	Percentage Owned (%) ¹ 2018
Subsidiaries:			
Advanz Fidelis IP Sdn Bhd ²	Malaysia	100	-
Davies Collison Cave Pty Ltd ³	Australia	100	100
Davies Collison Cave Law Pty Ltd ³	Australia	100	100
Davies Collison Cave Asia Pte Ltd	Singapore	100	100
Davies Collison Cave NZ Ltd	New Zealand	100	-
FPA Patent Attorneys Pty Ltd ³	Australia	100	100
FPA Patent Attorneys Asia Pte Ltd	Singapore	100	-
ipervescence Pty Ltd ⁴	Australia	51	-
QIP Services Pty Ltd ³	Australia	100	100
QIP Nominees Pty Ltd ³	Australia	100	100

26 Business Combination

Acquisition of Advanz Fidelis IP Sdn Bhd (AFIP)

On 2 July 2018, QANTM acquired the Malaysian intellectual property company, Advanz Fidelis IP Sdn Bhd (AFIP). The acquisition involved an upfront cash payment of AUD 3.05 million. In addition, there are two contingent payments based on an earn-out methodology for the calendar years ended 31 December 2018 and 31 December 2019. Those payments are being accrued as remuneration over the relevant vesting periods, resulting in the recognition of an expense of \$3.067 million in the year to 30 June 2019.

¹ The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries

² Business acquisition. Refer to note see note 26

³ Members of the cross guarantee group. Refer to Note 27

⁴ Established during FY19, to carry on a new IP strategy consulting and IP locum business. The business was launched in July 2019.

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Notes to the Financial Statements For the Year Ended 30 June 2019

Acquisition of Advanz Fidelis IP Sdn Bhd (AFIP) (continued)

Details of the business combination are set out below:

Analysis of cash flows on acquisition:	\$'000
Net cash acquired from subsidiary	-
Cash consideration	3,050
Payment to acquire business, net of cash acquired	3,050
Purchase consideration transferred:	
Amount settled in cash	3,050
Total consideration transferred	3,050
 Recognised amounts of identifiable net assets:	
Assets	
Property, plant and equipment	139
Intangibles	3,780
Total Assets	3,919
 Liabilities	
Deferred Tax Liability	869
Total Liabilities	869
Total identifiable net assets at fair value	3,050
Goodwill	-

27 Deed of Cross-Guarantee

The members of the Group party to the deed of cross guarantee are detailed in Note 25. 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:

	2019	2018
	\$'000	\$'000
Statement of Comprehensive Income		
Service Charges	81,534	73,229
Associate Charges	24,577	24,818
Total revenue	106,111	98,047
Other income	4,349	2,896
Employee benefits expense	(49,068)	(42,722)
Recoverable expenses	(22,806)	(22,954)
Occupancy expenses	(6,184)	(6,056)
Restructure costs	(2,096)	(2,304)
Other expenses	(10,938)	(10,142)
Earnings before depreciation and amortisation, finance costs and income tax	19,367	16,765
Depreciation and amortisation	(1,970)	(2,048)
Earnings before finance costs and income tax	17,397	14,717
Finance costs	(961)	(834)
Profit before income tax	16,436	13,883
Income tax expense	(5,352)	(4,452)
Net profit for the year	11,084	9,431
Total comprehensive income for the year	11,084	9,431

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Notes to the Financial Statements For the Year Ended 30 June 2019

27 Deed of Cross-Guarantee (continued)

	2019 \$'000	2018 \$'000
Statement of Financial Position		
Current Assets		
Cash and cash equivalents	219	2,980
Trade and other receivables	30,205	30,765
Other assets	2,867	1,673
Total Current Assets	33,291	35,418
Non-Current Assets		
Other assets	-	9
Property, plant and equipment	2,208	2,495
Intangible assets	69,704	66,294
Total Non-Current Assets	71,911	68,798
Total Assets	105,202	104,216
Current Liabilities		
Trade and other payables	9,012	9,217
Provisions	7,943	6,313
Borrowings	133	226
Other financial liabilities	39	84
Current tax liabilities	2,242	3,165
Total Current Liabilities	19,369	19,005
Non-Current Liabilities		
Provisions	3,073	2,800
Borrowings	12,187	11,249
Deferred tax liabilities	1,097	1,750
Total Non-Current Liabilities	16,357	15,799
Total Liabilities	35,726	34,804
Net Assets	69,476	69,412
Equity		
Issued Capital	293,921	293,748
Reserves	(223,205)	(222,600)
Retained Earnings	(1,239)	(1,736)
Total Equity	69,476	69,412

QANTM Intellectual Property Limited and Controlled Entities

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Notes to the Financial Statements For the Year Ended 30 June 2019

28 Related Parties

Parent entity

QANTM Intellectual Property Limited.

Subsidiaries

Interests in subsidiaries are set out in Note 25.

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:

	2019	2018
	\$'000	\$'000
Short-term employee benefits	5,944	2,444
Post-employment benefits	165	165
Other long-term benefits	113	39
Total KMP compensation	6,222	2,648

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	2,494
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31 Capital and Leasing Commitments

(a) Finance Leases

Minimum lease payments:

- not later than one year	146	248
- between one year and five years	119	271
- later than five years	-	-
Minimum lease payments	265	519
Less: finance charges	(17)	(44)
Present value of minimum lease payments	248	475

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.

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Notes to the Financial Statements For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
31 Capital and Leasing Commitments (continued)		
(b) Operating Leases		
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	6,072	5,734
- between one year and five years	16,932	17,743
- later than five years	5,373	8,860
	28,377	32,337
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		
Reconciliation of net income to net cash provided by operating activities:		
Profit for the year after income tax	11,206	9,513
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- Depreciation and amortisation	2,275	2,164
- Share based payments	33	118
- Effect of exchange rates	-	136
- Unrealised gain on investment in derivatives	-	353
- Bad debt expense	625	490
Business acquisition costs	2,096	433
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	(1,040)	(2,505)
- (increase)/decrease in other assets	(244)	(87)
- increase/(decrease) in deferred borrowing costs	-	55
- increase/(decrease) in trade and other payables	76	1,388
- increase/(decrease) in provisions	1,909	71
- increase/(decrease) in income tax payable	(842)	(356)
- increase/(decrease) in deferred tax balances	(1,453)	230
Cash flow from operations	14,641	11,731

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2019

32 Cash Flow Information (continued)

(b) Reconciliation of Liabilities arising from Financing Activities

	1 July 2018 \$'000	Cash flows \$'000	Foreign exchange movement \$'000	Fair value changes \$'000	Acquisition \$'000	30 June 2019 \$'000
Leases	475	(227)	-	-	-	248
Bank loans	11,000	1,072	-	-	-	12,072
Total liabilities from financing activities	11,475	845	-	-	-	12,320

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.

Remuneration of the auditor for:

- auditing or reviewing the financial statements	\$ 219,800	\$ 202,071
- other assurance services	\$ 15,000	-
	<u>\$ 234,800</u>	<u>\$ 202,071</u>

34 Events Occurring After the Reporting Date

No 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

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2019 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 27 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 2019.

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 2019, 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 2019 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 and intangible assets – impairment assessment Refer to Note 10. As at 30 June 2019 the Group's carrying value of goodwill totals \$65.5 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 revenue growth rates for the FPA Group cash generating unit ("CGU"); and • Weighted Average Cost of Capital ("WACC") rate utilised within the ViU model	In conjunction with our valuation specialists, 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 Group 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 management; • Evaluating the discount rate used by assessing the cost of capital for the FPA Group CGU 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 10 to the financial statements
Accounting treatment for the acquisition of Advanz Fidelis IP Sdn Bhd ("Advanz Fidelis") Refer to note 26 On 02 July 2018 the Company acquired Advanz Fidelis for an up-front cash payment of \$2.75 million and \$0.3 million for the fixed assets, plus two contingent payments based on an agreed earn out formula. The audit of the purchase price accounting involves judgement and complexity in the purchase price allocation, including determining the fair values of the acquired assets and liabilities, as well as determining the appropriate accounting treatment of the contingent consideration as either purchase consideration or remuneration.	With respect to the accounting for the Advanz Fidelis acquisition, in conjunction with our valuation specialists, our procedures included, but were not limited to; <i>Determination of purchase price:</i> • Reviewed the purchase contract to understand the contractual terms concerning assets acquired, liabilities assumed and the purchase price; • Consultation with our accounting technical specialists in respect of the accounting for the contingent consideration; and • Inquired of relevant personnel (which included legal counsel who drafted the Sale & Purchase Agreement and key management personnel within the Company) in order to enhance our understanding of the substance of the contingent consideration as opposed to merely its legal form.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
	<i>Determination of fair value of assets and liabilities:</i> - Reviewed a copy of the external valuation report and challenged the underlying assumptions used to determine the fair values of the assets acquired and liabilities assumed as part of the acquisition; - Assessed the objectivity and competence of the external valuation specialist used by management; - Evaluated and challenged management's methodology for the identification of, and the determination of fair values of the assets acquired and liabilities assumed, including any fair value adjustments. In addition, we evaluated the valuation method used, underlying forecast cash flow, discount rates, churn rates and useful lives adopted within the valuation model; and - Testing on a sample basis, the mathematical accuracy of the cash flow model. We have also assessed the appropriateness of the disclosure included in Note 26 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report and Additional Information for Listed Public Companies, which we obtained prior to the date of this 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): From the Chairman, From the Managing Director, Business and Market Characteristics, Key Management Personnel and Board of Directors reports, 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 and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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 From the Chairman, From the Managing Director, Business and Market Characteristics, Key Management Personnel and Board of Directors reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement 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

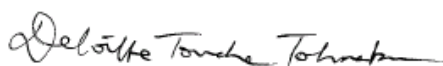
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 22 of the Directors' Report for the year ended 30 June 2019.

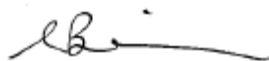
In our opinion, the Remuneration Report of QANTM Intellectual Property Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

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



Chris Biermann
Partner
Chartered Accountants
Melbourne, 29 August 2019

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

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 9 August 2019.

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	86	121,586,900	91.38%
10,001 to 100,000	305	9,043,525	6.80%
5,001 to 10,000	152	1,226,134	0.92%
1,001 to 5,000	315	1,020,851	0.77%
1 to 1,000	366	173,314	0.13%
Total	1,224	133,050,724	100.00%

Less than marketable parcels of ordinary shares

There are 40 shareholders with unmarketable parcels totalling 2,976 shares.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

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	29,278,587	22.01%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	9,212,872	6.92%
3	ARGO INVESTMENTS LIMITED	4,900,053	3.68%
4	NATIONAL NOMINEES LIMITED	4,198,329	3.16%
5	SMARTEQUITY EIS PTY LTD	3,061,083	2.30%
6	JOHN DOWER	2,888,884	2.17%
7	THOMAS PETER GUMLEY	2,444,223	1.84%
8	BRETT CONNOR	2,225,695	1.67%
9	CURPSI PTY LTD	2,037,226	1.53%
9	FORDHAM PTY LTD	2,037,226	1.53%
9	GNARWARRE INVESTMENTS PTY LTD	2,037,226	1.53%
9	LOUGHNAN HILL PTY LTD	2,037,226	1.53%
9	MACROPHAGE PTY LTD	2,037,226	1.53%
9	OAKVALE PTY LTD	2,037,226	1.53%
9	PENNIN PTY LTD	2,037,226	1.53%
9	PETROB HOLDINGS PTY LTD	2,037,226	1.53%
9	REZINLOW HOLDINGS PTY LTD	2,037,226	1.53%
9	ROCKY ROAD PTY LTD	2,037,226	1.53%
9	SYBARITE PTY LTD	2,037,226	1.53%
9	TSAR INVESTMENTS PTY LTD	2,037,226	1.53%
9	WOODCASTLE PTY LTD	2,037,226	1.53%
	Totals	84,693,664	63.66%
	Total Remaining Holders Balance	48,357,060	36.34%
	Total Quoted Equity Securities	133,050,724	100.00%

Unquoted Equity Securities

The Company had no unquoted retention rights on issue as at 9 August 2019.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Additional Information for Listed Public Companies

Substantial Shareholders

As at 9 August 2019, the names of the substantial holders of the Company and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to the Company, are as follows:

Shareholder	Number of Ordinary Fully Paid Shares	% of Issued Capital
Perpetual Limited & Subsidiaries	13,748,155	10.33%
Investors Mutual	10,030,334	7.54%
FIL Limited	7,128,443	5.36%

Restricted Securities

The Company had the following restricted securities on issue as at 9 August 2019:

Class	Type of Restriction	Number of Securities	% of issued capital	End Date of Escrow Period
Ordinary Shares - ES3	Voluntary Escrow	120,600	0.09%	30 Aug 19
Total Escrowed Shares		120,600	0.09%	

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.

Performance rights have no voting rights.

On-Market Buy-Backs

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