

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

## Financial report for the year ended 30 June 2021

### APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

#### Results for Announcement to the Market

Key Information		2021 \$'000	2020 \$'000	% Change
Revenue from ordinary activities	Up	119,079	116,568	2.15%
Profit after tax from ordinary activities attributable to members	Up	10,385	9,377	10.75%
Net profit attributable to members	Up	10,385	9,377	10.75%

#### Dividends Paid and Proposed

	Amount per Security	Franked Amount per Security at 30% of Tax
<b>Ordinary shares:</b>		
2021 interim ordinary dividend paid 31 March 2021	4.0 cents	4.0 cents
2021 final ordinary dividend declared 26 August 2021	3.4 cents	3.4 cents
Record date for determining entitlements to the final dividend on ordinary shares:		2 September 2021
Payment date		7 October 2021

#### 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 29 of the 30 June 2021 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 30 of the 30 June 2021 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 31 of the 30 June 2021 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 32 of the 30 June 2021 financial report and accompanying notes for QANTM Intellectual Property Limited and Controlled Entities.

# **QANTM Intellectual Property Limited ACN 612 441 326 and Controlled Entities**

## **Financial report for the year ended 30 June 2021**

### **APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2021**

#### **Dividend Reinvestment Plan**

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

#### **Net Tangible Assets per Share**

	<b>2021</b>	<b>2020</b>
	<b>cents per share</b>	<b>cents per share</b>
Net tangible assets per ordinary share	(\$0.01)	(\$0.03)

#### **Control Gained or Lost over Entities in the Year**

Control gained: None

Control lost: None

#### **Commentary on the Results for the Period**

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

#### **Status of Audit**

The 30 June 2021 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 77-80 of the 30 June 2021 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 2021**

## **QANTM Intellectual Property Limited and Controlled Entities**

	<b>Page</b>
Directors' Report	2
Auditor's Independence Declaration	28
Consolidated Statement of Profit or Loss and Other Comprehensive Income	29
Consolidated Statement of Financial Position	30
Consolidated Statement of Changes in Equity	31
Consolidated Statement of Cash Flows	32
Notes to the Financial Statements	33
Directors' Declaration	76
Independent Audit Report	77
Additional Information for Listed Public Companies	81

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## DIRECTORS' REPORT

for the year ended 30 June 2021

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 2021 (FY21). To comply with the provisions of the *Corporations Act 2001*, the Directors' report follows.

QANTM is the owner of a group of leading intellectual property (IP) services businesses operating under four key brands:

**Davies Collison Cave**, including:

- Davies Collison Cave Pty Ltd - an incorporated patent and trade marks 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 marks 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);

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

**Cotters Patent and Trade Mark Attorneys** - an incorporated patent and trade marks attorney business operating in Australia (Cotters).

QANTM is also the majority shareholder in an IP business advisory company, ipervescence Pty Ltd, which provides IP consulting and flexible resourcing services (ipervescence).

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 corporate and commercial legal advice on mergers and acquisitions, governance and compliance, business structures and restructures, capital raising, joint ventures, finance and asset protection.

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 Australia, 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 IP practices based overseas (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 2021, the QANTM Group had a total of 352 employees.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## DIRECTORS' REPORT for the year ended 30 June 2021

### 1. General information

#### 1.1. Directors

The names of the Directors in office at any time during, or since the end of, FY21 are:

Names	Position
Mr Richard England	Non-Executive Chairman
Mr Craig Dower	Managing Director and Chief Executive Officer (appointed as Chief Executive Officer with effect from 13 January 2020 and also as Managing Director with effect from 1 July 2020)
Mr Leon Allen	Non-Executive Director (former Chief Executive Officer and Managing Director, appointed as Non-Executive Director with effect from 1 July 2020)
Ms Abigail Cheadle	Non-Executive Director (Retired 27 November 2020)
Mr Cameron Judson	Non-Executive Director (Retired 21 May 2021)
Ms Sonia Petering	Non-Executive Director

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# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## DIRECTORS' REPORT

for the year ended 30 June 2021

### 1. General information (continued)

#### 1.2 Information on directors

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

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<b>Mr Richard England</b>	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 of the Board of Directors, member of the Audit, Risk and Compliance Committee and Chair of the People, Remuneration and Culture Committee.
Other current listed directorships	None
Former directorships of listed entities (last 3 years)	Non-Executive Director of Japara Healthcare Limited (retired 1 September 2020). Non-Executive Chairman of Automotive Holdings Group Limited (retired 31 October 2020). Non-Executive Director of Bingo Industries Limited (retired 30 October 2020). Non-Executive Director of Atlas Arteria. (retired 30 November 2018).

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<b>Mr Craig Dower</b>	Managing Director and Chief Executive Officer (served as Chief Executive Officer with effect from 13 January 2020, and also appointed as Managing Director with effect from 1 July 2020)
Qualifications	FAIM, FAICD, MACS
Experience	<p>Craig was appointed Chief Executive Officer of QANTM on 13 January 2020 and appointed to the Board as Managing Director on 1 July 2020. Craig's professional services career has spanned over 30 years and his recent positions include leadership roles as CEO and Managing Director of Xenith IP Group Limited, an ASX-listed IP services group; CEO of Salmat (ASX:SLM), an ASX-listed multichannel marketing and customer engagement company; and President, Asia Pacific and China for Avanade Inc. His experience includes leading and driving organisational change, building high performance teams, technology-based innovation and integrating and managing acquisitions. He also has more than 20 years' experience working across all of Asia Pacific, including five years based in Singapore.</p> <p>Craig has served on a number of boards both as an executive and non-executive director.</p> <p>He is a Fellow of the Australian Institute of Management, a Fellow of the Australian Institute of Company Directors, and a Member of the Australian Computer Society.</p>
Interest in shares and options	Issued with 295,050 performance rights during FY20 pursuant to QANTM's Employee Incentive Plan, 59,010 of which vested as QANTM ordinary shares during FY21.
Special responsibilities	Chief Executive Officer and Managing Director
Other current listed directorships	<del>None</del>

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# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## DIRECTORS' REPORT

for the year ended 30 June 2021

### 1. General information (continued)

#### 1.2 Information on directors (continued)

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<b>Mr Leon Allen</b>	Non-Executive Director (appointed with effect from 1 July 2021) (formerly Managing Director and Chief Executive Officer – retired with effect from 13 January 2020)
Qualifications	BSc (Hons), Patent Attorney
Experience	Leon commenced work as a patent attorney in 1981, and served as managing partner and chairman of Davies Collison Cave's national management board from 2011, until becoming QANTM's inaugural CEO/MD in 2016. 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	Member of the Audit, Risk and Compliance Committee and the People, Remuneration and Culture Committee
Other current listed directorships	None
Former directorships of listed entities (last 3 years)	None

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<b>Ms Sonia Petering</b>	Non-Executive Director
Qualifications	LLB, B.Com, FAICD
Experience	<p>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.</p> <p>Sonia is an experienced commercial lawyer who commenced her legal practice in 2001. She holds a current Victorian legal practicing certificate.</p> <p>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.</p> <p>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.</p>
Interest in shares and options	45,044 shares
Special responsibilities	Chair of the Audit, Risk and Compliance Committee (from 28 November 2020) and member of the People, Remuneration and Culture Committee
Other current listed directorships	Non-Executive Director of Virtus Health Limited (ASX:VRT).
Former directorships of listed entities (last 3 years)	None

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# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## DIRECTORS' REPORT for the year ended 30 June 2021

### 1. General information (continued)

#### 1.2 Information on directors (continued)

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##### Ms Abigail Cheadle

Qualifications	Non-Executive Director (retired from QANTM Board 27 November 2020) B. Bus, ACA, MAICD
Experience	Abigail is a chartered accountant and member of the Australian Institute of Company Directors. She was formerly a certified fraud examiner and a member of the Singapore Institute of Directors.  Abigail has had an executive career with global services firms in Asia: <ul style="list-style-type: none"><li>• building and managing professional services businesses for Kroll, KordaMentha, Ernst &amp; Young and Deloitte;</li><li>• restructuring and recapitalising listed companies; and</li><li>• managing risk for multi- nationals.</li></ul>
Interest in shares and options	Abigail returned to Australia to be CEO of a disruptive tech platform which was sold before embarking on a non- executive career. 45,045 shares (as at 27 November 2020)
Special responsibilities	Chair of the Audit, Risk and Compliance Committee (until 1 October 2020), and member of People, Remuneration and Culture Committee
Other current listed directorships	Non- Executive Director of Shriro Holdings Limited
Former directorships of listed entities (last 3 years)	Non-Executive Director of Isentia Group Limited (until 15 April 2021) Non-Executive Director of SurfStitch Group Limited

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##### Mr Cameron Judson

Qualifications	Non-Executive Director (retired from QANTM Board 21 May 2021) BA, MBA, MAICD
Experience	Most recently, Cameron held CEO roles with ASX-listed McGrath Estate Agents and Chandler Macleod Group, and is currently CEO of Angus Knight Group. Prior to these roles, he held a range of leadership roles with Chandler Macleod, UTC Fire & Security and TNT.  Cameron is a member of the Australian Institute of Company Directors.
Interest in shares and options	45,044 shares (as at 21 May 2021)
Special responsibilities	Chair of the People, Remuneration and Culture Committee (until 21 May 2021), member of the Audit, Risk and Compliance Committee (until 1 October 2020)
Other current listed directorships	None (as at 21 May 2021)
Former directorships of listed entities (last 3 years)	Non-Executive Director for Limeade (ASX:LME)

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# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## DIRECTORS' REPORT for the year ended 30 June 2021

### 1. General information (continued)

#### 1.2 Information on directors (continued)

##### Company Secretary

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

- Mr Martin Cleaver

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. Martin has resigned from the Company and will cease employment with effect from 27 August 2021.

### 2. Meetings of Directors

The number of meetings of QANTM's Board of Directors (the Board) held during FY21, and number attended by each Director during that period are:

	Directors' Meetings		Audit, Risk and Compliance Committee		People, Remuneration and Culture Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Richard England	22	22	3	3	1	1
Mr Craig Dower	22	22	N/A	N/A	N/A	N/A
Mr Leon Allen	22	22	3	3	1	1
Ms Sonia Petering	22	22	4	4	6	6
Ms Abigail Cheadle	11	11	2	2	3	3
Mr Cameron Judson	17	17	2	3	5	5

#### Notes:

- <sup>1</sup> Mr England joined the ARCC and the PRCC from 1 October 2020 was appointed Chair of the PRCC with effect from 2 June 2021.
- <sup>2</sup> Ms Petering was appointed as Chair of the ARCC with effect from 28 November 2020.
- <sup>3</sup> Ms Cheadle retired as a Director, and Chair of the ARCC, with effect from 27 November 2020.
- <sup>4</sup> Mr Judson retired as a Director, and Chair of the PRCC, with effect from 21 May 2021.
- <sup>5</sup> Mr Allen joined the PRCC from 2 June 2021.

### 3. Principal Activities

QANTM is the owner of a group of leading IP services businesses operating under four key brands, and is a majority shareholder in ipervescence Pty Ltd, an IP business advisory company, as outlined in section 1 of this report.

QANTM's principal operations are in Australia, Singapore and Malaysia. In Australia, DCC, FPA and Cotters 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 provides IP services for Malaysian clients as well as regional and other international clients.

QANTM acquired Cotters Patent and Trade Mark Attorneys in May 2020. Apart from the first full year of operation of Cotters, there were no significant changes in the nature of the Group's principal activities during the financial year.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## DIRECTORS' REPORT for the year ended 30 June 2021

### 4. Operational and financial review<sup>1</sup>

The year was highlighted by a challenging and rapidly changing external environment. Against this backdrop the Company delivered a solid performance across a number of important outcomes, and an improved financial performance across several key metrics.

The following provides commentary on the Group's FY21 results.

The Group's total revenue for FY21 was higher than FY20 at \$119.1 million, compared with \$116.6 million for the 12 month period ended 30 June 2020 (FY20). Net revenue, after other income and recoverable expenses from Associate Charges, was \$95.6 million compared with \$94.0 million for FY19. The Group's reported consolidated EBITDA after foreign exchange was also higher than prior year at \$24.8 million compared with \$23.4 million EBITDA for FY20. The Group's statutory NPAT was \$10.4 million, compared with \$9.4 million in FY20, while underlying NPAT was \$12.1 million, compared with underlying NPAT in FY20 of \$13.4 million (refer table on page 12 for a reconciliation from statutory NPAT to underlying NPAT).

Net debt as at 30 June 2021 was \$16.1 million, compared with \$17.4 million as at 30 June 2020. Gearing (net debt/net debt + book equity) at 30 June 2021 was 18.1%. (30 June 2020: 19.6%).

In line with the Company's dividend payment policy, Directors determined a total FY21 dividend payment of 7.4 cents per share, fully franked, made up of an interim dividend of 4.0 cents per share and a final dividend of 3.4 cents per share. The FY20 dividend payment was 7.1 cents, made up of an interim dividend of 3.3 cents and a final dividend of 3.8 cents, fully franked.

The Group's Total Operating Expenses were \$70.8 million in FY21, compared with \$70.6 million in FY20 (refer below for details of Recoverable Expenses associated with Associate Charges). Underlying Total Operating Expenses were \$68.4 million, compared with \$66.1 million in FY20.

Principal operational and business activities during the year included:

- QANTM business entities and team performing exceptionally well under the continued business challenges associated with COVID-19 disruptions and lockdowns, most notably for AFIP in Malaysia but across all operations at various times;
- progress in relation to all of the main components of QANTM's business priorities, related to: people and organisational development; technology modernisation; process simplification; deeper client engagement and collaboration; and the advancement of growth and scale initiatives;
- people and organisational development initiatives included: the efficient transition of the entire workforce to an ability to work remotely with investment in the necessary hardware and systems support to facilitate this outcome; the promotion of 16 professionals across the Group, of which 75% were women, with women comprising 50% of promotions into management roles; high retention levels (above 90% across the group) and the in-sourcing of several key roles (including technology) which were previously delivered on a consulting basis; appointment of our first female managing principal in Malaysia;
- technology modernisation and process simplification: implementation of cloud-based human resources and finance platforms are underway as part of a process to integrate disparate systems and build internal capabilities and reporting systems; while a case management system is at scoping stage;
- client engagement and collaboration: the completion of a pilot program and the initial implementation of a world-class client engagement platform, backed by investment in technology, people and processes, as part of QANTM's commitment to improving the quality and efficiency of client engagement. In addition, QANTM has acquired an AI-based SaaS (Software as a service Suite) trademark productivity system which is expected to improve both trade mark attorney efficiency as well as improving client servicing;
- advancement of growth and scale initiatives: investment in growth and business development occurred through the establishment of a DCC sales office in the United States of America, while continued evaluation of suitable merger and acquisition opportunities was undertaken with the advancement of several opportunities to an investment case stage; and

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<sup>1</sup> 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.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## DIRECTORS' REPORT

for the year ended 30 June 2021

### 4. Operational and financial review (continued)

- the first full year contribution from Sydney-based IP firm Cotters Patent and Trade Mark Attorneys, which introduces diversity into the QANTM business model through its fixed price service and differing customer demographic to DCC and FPA. Business conditions during FY21 did not favour Cotters in terms of the level of its financial contribution, but its business offering remains a logical and valuable extension to the QANTM group IP offering in the medium to long term.

The external environment will continue to present challenges that may impact our future performance and will require us to continue to adapt, manage and respond.

#### 4.1. Business conditions

Business conditions in FY21 were primarily marked by the following features:

- the patent service offering of DCC, FPA and AFIP recorded a strong performance, with combined service charge revenue increasing by 2.3% despite the adverse revenue impact of a higher AUD/USD exchange rate for the year. On a like-for-like currency basis, service charge revenue would have increased 7.3% on pcp. Patents contributed 70% of Group service charge revenues;
- overall QANTM Group patent applications grew 11.0%, with new Australian patent application filings increasing by 9.7%, in the context of an overall Australian patent market increase of 2.4%;
- QANTM's Australian patent application market share increased to 15.8% compared with 14.7% in FY20
- QANTM Group patent application filings in Asia increased by 14%, despite a markedly lower contribution from AFIP due to COVID-19 business restrictions. Asia now represents 14% of Group patent applications;
- Rest of World patent applications (24% of the Group total) increased by 11%; PCT applications (4% of Group total) increased by 20%
- QANTM's Group trade mark service charge revenue increased by 0.7%. Trade marks contributed 17% of Group service charge revenue. QANTM's total Group trade mark filings declined 7.6% for the year, mainly due to a 68% decline in Asian trade mark filings, associated with COVID-19 related business restrictions for AFIP in Malaysia;
- QANTM's Australian trade mark filings (53% of the Group total) increased by 8% in the context of total Australian (top 50 filers excluding International Registration Designation Australia 'IRDA') trade mark market increase of 11.5%;
- in Australia, DCC remained the number one practice amongst the top 50 trade mark filers, with a market share of 10.1%;
- New Zealand trade mark filings (11.5% of the Group total) increased by 10%;
- legal service charge revenue (which includes advisory services provided by AFIP) declined by \$0.2 million or 1.6% compared to FY20, mainly associated with the completion of a strong case load work stream during 1H21; and
- Asia region total revenues from DCC, FPA and AFIP across patents, trade marks and advisory services decreased by 7.1%. Asia now constitutes 6.3% of QANTM's total revenues.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## DIRECTORS' REPORT

for the year ended 30 June 2021

### 4. Operational and financial review (continued)

#### 4.2. Financial Results – Key Elements

The main features of the FY21 financial results are provided below:

The underlying results are provided to enable investors to make appropriate comparisons from one year to the next. The underlying results of the QANTM Group for FY21 are adjusted for various items, with a net total of \$2.4 million (FY20: \$4.4 million) not considered items of a recurring nature. These included SaaS costs and research costs associated with the transformation program, business acquisition costs and one-off retention costs. Refer to page 12 for a reconciliation of statutory Net Profit After Tax ('NPAT') to underlying NPAT.

##### Revenue

The Group's total revenue (service charges and associate charges) was \$119.1 million (FY20: \$116.6 million).

Revenues in FY21 includes an initial contribution of \$1.9 million (FY20: \$0.2 million) by Cotters Patent & Trademark Attorneys, acquired effective 22 May 2020.

Total net revenue of \$95.6 million (FY20: \$94.0 million) included other income of \$1.9 million, and is after recoverable expenses from associate charges of \$25.4 million.

Services charges increased by 2.3% to \$92.4 million (FY20: \$90.3 million), comprising the following main components:

- Patent services charges (70% of total QANTM services charges) of \$64.3 million (FY20: \$62.1 million);
- Trade mark services charges (17% of QANTM's services charges) of \$15.8 million (FY20: \$15.7 million);
- Legal revenue (13% of QANTM's total) of \$12.3 million (FY20: \$12.5 million).

##### Expenses

Total underlying operating expenses were \$68.4 million, a \$2.3 million or 3.5% increase from the prior comparative period (FY20: \$66.1 million). Higher underlying expenditure related to a \$3.6 million increase in employee benefits costs including fee earner remuneration, performance based incentive expenses, the establishment of a US sales office, and investment in corporate resources. The addition of the Cotters business also contributed \$1.3 million to staff costs. In addition there was a \$0.5 million increase in technology expenses associated with investment in and support of remote working arrangements. These increases were partially offset by a \$1.8 million reduction in other expenses, mainly related to a reduction in travel.

#### 4.3. EBITDA and EBITDA Margin

Statutory EBITDA before an FX loss of \$1.1 million was \$23.7 million (FY20: \$22.6 million before an FX loss of \$0.8 million). EBITDA margin (on Service Charges) was 25.6% (FY20: 25.0%)

Underlying EBITDA, after foreign exchange (FX) was \$26.1 million (FY20: \$27.1 million). The \$1.0 million lower EBITDA from prior comparative period is in the context of an unfavourable FX headwind at the revenue line of \$4.5 million and \$0.3 million at the earnings line, and higher operating expenditures.

Underlying EBITDA margin (on Service Charges) was 28.2% (FY20: 30.0%). EBITDA margin on total revenue was 21.9% (FY20: 23.2%).

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## DIRECTORS' REPORT

for the year ended 30 June 2021

### 4. Operational and financial review (continued)

#### 4.4. Depreciation and Amortisation

Depreciation and amortisation in FY21 was \$7.3 million compared with \$6.8 million in FY20. The increase was mainly due to additions in IT equipment and software.

#### 4.5. Net Profit After Tax

Statutory net profit after tax was \$10.4 million (FY20: \$9.4 million), a 10.6% increase. Earnings per share was 7.71 cents (FY20: 7.18 cents).

Underlying net profit after tax was \$12.1 million (FY20: \$13.4 million), a 9.6 decrease. Refer page 12 for a reconciliation from statutory to underlying NPAT.

#### 4.6. Net Interest and Net Debt

Net interest charges in FY21 were \$1.6 million. The Company held total bank facilities of \$59 million and had \$21.8 million drawn as at 30 June 2021 with \$5.7 million cash on hand. As at 30 June 2021 the Company had net debt of \$16.1 million. Gearing (net debt/net debt + equity) at 30 June 2021 was 18.1 per cent. The Company continues to comply with the financial covenants of its facility agreement.

#### 4.7. Operating Cash Flow

Cash flow provided by operating activities for the year was \$19.8 million (FY20: \$15.1 million), with a net decrease of \$0.4 million after investing and financing movements.

#### 4.8. Net Assets

The net assets of the Group have increased by \$1.6 million, from \$71.2 million at 30 June 2020 to \$72.8 million at 30 June 2021. Trade receivables increased \$3.5 million and trade payables increased \$2.3 million both due to increased business activity in the latter part of the financial year. Net debt decreased by \$1.3 million.

## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### DIRECTORS' REPORT

for the year ended 30 June 2021

#### 5. Net profit after tax<sup>2</sup>

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

	Year ended	
	30-Jun-21	30-Jun-20
	\$'000	\$'000
<b>Statutory NPAT</b>	<b>10,385</b>	<b>9,377</b>
add: interest	1,610	1,535
add: depreciation and amortisation	7,295	6,760
add: tax	4,421	4,941
<b>EBITDA – QANTM Group</b>	<b>23,711</b>	<b>22,613</b>
add: remuneration related to business acquisition	-	1,860
add: new business establishment costs	-	299
add: SaaS expenses	1,066	-
add: research costs associated with transformation	260	-
add: retention payments	645	814
add: business acquisition costs	379	1,402
<b>Underlying EBITDA – QANTM Group</b>	<b>26,061</b>	<b>26,988</b>
less: depreciation and amortisation	(7,295)	(6,760)
less: interest	(1,610)	(1,535)
less: tax	(5,012)	(5,275)
<b>Underlying NPAT - QANTM Group</b>	<b>12,144</b>	<b>13,418</b>

<sup>2</sup> Represents non-IFRS information and is unaudited.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## DIRECTORS' REPORT for the year ended 30 June 2021

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

#### 6.1. Business model

QANTM, a leading publicly listed IP company, offers to 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 IP services businesses operating under four main brands - Davies Collison Cave ('DCC'), FPA Patent Attorneys ('FPA'), Cotters Patent and Trade Mark Attorneys ('Cotters') and Malaysian company, Advanz Fidelis IP Sdn Bhd ('AFIP').

Key characteristics of QANTM include the following:

- attractive industry dynamics, for example, historical compound annual growth rates of patent filings typically at or above GDP levels;
- QANTM's largest businesses, 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 at least 20 years;
- 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 and priorities

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 attractive shareholder returns.

The 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 and trade mark 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, which has included the acquisition of AFIP in Malaysia, 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. QANTM is also continuing to pursue appropriate acquisition opportunities in Asia.

The business strategic framework to facilitate these outcomes has the following main elements:

- people and organisational development through investing in future skills – technology, commercial, leadership; training support staff to assist in the delivery of greater client value; establishment of new capabilities, including in new geographies;
- technology modernisation, including the migration of key systems to the Cloud; building of future capabilities (AI, data / analytics); as well as processing platforms, APIs and an innovation framework;



# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## DIRECTORS' REPORT

for the year ended 30 June 2021

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

- process improvement through simplifying all business processes, including automating or eliminating redundant systems; building AI and machine learning platforms;
- client engagement and collaboration through implementation of client engagement and client account planning methodologies, as well as provision of new services; and
- advancement of growth and scale initiatives through expansion of the Group's footprint in Asia; establishing sales desks in key locations; pursuit of adjacent service lines and technology-related plays; as well as pursuit of appropriate M&A opportunities.

#### 6.3. 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:

##### Competition

The Group 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), encroachment by artificial intelligence alternatives or failure by the Group to meet changing market conditions could adversely impact the Group's competitive position which may result in a decline in service charges and margins of the Group, which may have a material adverse effect on the financial results.

The Group undertakes a number of activities to provide effective client service, develop and enhance client relationships and continue to provide a broad range of IP services.

##### Regulatory

IP regulation is subject to ongoing change as it endeavours to stay apace with rapid technological advancement. Any material changes to the Australian or international legislation, regulations, treaties or general law in relation to the IP regime has the potential to adversely affect the Group.

This could include any legislative or regulatory changes that have the effect of removing or diminishing the rights and privileges granted exclusively by statute to Australian patent attorneys, or local "address for service" requirements. An example of potential diminution in the role performed by QANTM as a local agent is the proposal which has been under consideration for at least ten years to extend the ePCT system for filing international patent applications to the subsequent "national phase" entry stage. It is currently not known when or if the ePCT system will be extended in this way, or if IP Australia would participate in any such extension, however, if implemented, this proposal may have a significant adverse impact on revenue currently derived by QANTM from the national phase entry process step.

Further, the majority of patent applications are separately examined in each country or region in which the applications are filed. QANTM derives substantial revenue from the substantive examination process in Australia, New Zealand and other jurisdictions. There is a long-term international trend toward harmonisation of patent examination regimes. Various proposals have been discussed, and in some cases implemented, with the aim of minimising duplication of effort across multiple offices and improving consistency of examination outcomes, subject to variations in local laws. Any harmonisation regime that has the effect of diminishing IP services that QANTM provides in connection with these patent examination processes may have an ambitious impact on revenue and profitability.

The boundaries of patentable subject matter continue to evolve as a result of technological innovation, legislative changes and judicial interpretation. Material changes to the regulatory landscape or the interpretation of the regulatory framework may adversely affect QANTM's revenue by narrowing the scope of patentable subject matter, and hence potentially the number of patent applications filed in particular technical fields.

The Group continually monitors regulatory and legal issues affecting the Group's business and implements any changes to operations necessary to comply.

## DIRECTORS' REPORT for the year ended 30 June 2021

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

#### Attraction, engagement and retention of high performing 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 attracting, engaging and retaining 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. There is significant management focus on initiatives to attract, engage, 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. Offering a fulfilling work environment and rewarding work, continuing to invest in health and wellbeing programs for employees, and embracing diversity and inclusion and remunerating fairly, including through the revised market-based remuneration arrangements for Principals who accepted fixed remuneration arrangements and no participation in incentive programs for a three year period from QANTM's IPO, as referenced in the Remuneration Report section of QANTM's Annual Report, are key elements of retention and engagement. A process of determining succession planning arrangements for key personnel is a priority. Principals (apart from those Principals who received equity upon QANTM's IPO) also participate in an employee share plan.

#### Foreign exchange risk

A substantial part of the Group's revenue is generated and expenses incurred in US dollars. An adverse change in the AUD/US dollar exchange rate could adversely impact revenue and earnings, with the financial reports for the Company denominated in Australian dollars.

The Company has in place and utilises foreign currency hedging facilities as part of its bank facilities, which partly mitigates the exposure, and monitors the foreign currency exposures that arise from its foreign currency revenue, expenditure and cash flows. The company also has a USD loan facility that also mitigates the exposure of its USD receivables.

#### Cyber Security

QANTM takes cyber security and its potential consequences extremely seriously.

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 Group 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, inbuilt 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.

**DIRECTORS' REPORT**  
**for the year ended 30 June 2021**

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

QANTM is making a significant investment in improved IT systems, including to support simplification and automation of some business processes, primarily to improve efficiency. These improvements will also assist in mitigating cyber security risks. This investment program is overseen by a new executive role of Chief Transformation Officer, to which Kylie Sprott was appointed during FY20.

**Acquisitions**

The Group's growth strategy involves growth by potential acquisitions of other intellectual property and adjacent businesses and lateral hires of professionals. There are risks of acquisitions or professionals hired not attaining benefits expected, or poor integration into the Group.

QANTM's growth strategy includes a focus on Asia. QANTM operates intellectual property businesses in Malaysia and Singapore, and is exposed to adverse changes in the competitive environment in those markets, and to risks associated with regulatory approaches and changes and operating and economic conditions in those markets.

The Group undertakes extensive due diligence of any potential acquisition target or lateral hire and engages professional experts to advise and assist where necessary. A new executive role of Head of Mergers & Acquisitions and Risk was created during FY20, to which Morgan Sloper was appointed.

**COVID 19**

COVID 19 has the potential to impact QANTM in two main respects. First, in common with many businesses, there is the potential for impacts on the health and wellbeing of key personnel, impairing their ability to contribute to the Group's business success. This could either be through direct health impacts of infection, or through adverse effects on mental health and wellbeing as a result of the measures mandated by government and through appropriate measures introduced by QANTM in the interests of health and safety to help reduce the rate of infection, such as remote working, with offices being closed or minimally staffed. These risks are managed through a focus on compliance with recommendations and requirements of health authorities, and a focus on the wellbeing of our people, through the adoption of a range of wellbeing and mental health initiatives.

Second, while QANTM has not seen a material deterioration in its financial performance during FY21, reduced investment in innovation and intellectual property protection by the Group's clients is possible going forward. QANTM continues to monitor closely levels of activity and revenue, and costs, to ensure it is prepared to respond to a material downturn in client activity.

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, and QANTM's approach to risk, please refer to the Group's Corporate Governance Statement at [www.qantmip.com.au](http://www.qantmip.com.au).

**7. Significant changes in state of affairs**

Martin Cleaver resigned as CFO and will cease employment with QANTM Group on 27 August 2021. Mr Peter Loosmore commenced employment with QANTM on 21 July 2021, and will commence as Interim CFO with effect from 27 August 2021.

There were no other significant changes in the state of affairs of the Group during FY21.

**DIRECTORS' REPORT**  
**for the year ended 30 June 2021**

**8. Remuneration Report (Audited)**

The directors present the remuneration report for the year ending 30 June 2021. The information provided in this report has been audited as required by section 300A of the *Corporations Act 2001*.

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of the Group's key management personnel ("KMP") for FY21. 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;
- FY21 Executive Incentive Outcomes
- Key terms of KMP employment contracts;
- Remuneration of KMP; and
- KMP equity holdings.

**Key Management Personnel**

The directors and other KMP of the Group during, or since the end of FY21, were as set out below.

<b>Non-Executive Director</b>	<b>Position</b>	<b>Commencement and cessation dates</b>
Mr Richard England	Non-Executive Chairman	17 May 2016
Ms Sonia Petering	Non-Executive Director	9 June 2016
Ms Abigail Cheadle	Non-Executive Director	9 June 2016 (retired 27 November 2020)
Mr Cameron Judson	Non-Executive Director	9 June 2016 (retired 21 May 2021)
Mr Leon Allen	Non-Executive Director	1 July 2020
<b>Executive officers</b>		
Craig Dower	Chief Executive Officer and Managing Director (CEO)	13 January 2020 (as CEO) and 1 July 2020 (as Managing Director)
Martin Cleaver	Chief Financial Officer (CFO) and Company Secretary	30 August 2017 (resigned, ceases employment 27 August 2021)

The KMP named held their respective positions for the whole of the financial year, with the exception of Abigail Cheadle and Cameron Judson. Ms Cheadle retired from her position of Non-Executive Director with effect from 27 November 2020. Mr Judson retired from his position of Non-Executive Director with effect from 21 May 2021. With Martin Cleaver's cessation of employment on 27 August 2021, Mr Peter Loosmore will become interim CFO for the QANTM Group.

**Role of the People, Remuneration and Culture Committee**

The PRCC 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 non-executive directors, the CEO and Managing Director, the CFO, other senior executives and the Group generally.

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;
- 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;
- fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executives and the general external pay environment; and
- maintains a culture which supports high standards of corporate governance and ethical conduct for the Group.

The terms of the PRCC charter are published on the Company's website.

**DIRECTORS' REPORT**  
**for the year ended 30 June 2021**

**8. Remuneration Report (Audited) (continued)**

**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 FY21, and the total fees received by Non-Executive Directors in FY21 was \$568,480. The current annual fees are:

Chair:	\$204,000
Non-Executive Director:	\$122,400 (including Committee fees)

In response to the COVID-19 pandemic, the directors resolved to decrease service fees for non-executive directors by 10% for a period of 6 months commencing in May 2020. Fees for non-executive directors are reviewed regularly by PRCC and Board. Fees for non-executive directors did not increase during FY21. The Board's policy is that Director and Committee fees are set on the basis of independent benchmarking and are reviewed annually.

Directors 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 is no performance remuneration for non-executive directors. 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 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. Subject to any restrictions on dealing under the terms of the Company's Securities Dealing Policy, such holdings must be acquired over three years from 30 August 2019 (for non-executive directors appointed prior to 2 August 2019) or from the date on which a director joins the board (for other non-executive directors).

**Executive Remuneration Framework**

*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.

The CEO and Managing Director, Mr Dower's total fixed remuneration remained at \$650,000 per annum. The total fixed remuneration of the CFO, Mr Cleaver, increased from \$360,000 per annum to \$375,000 per annum, inclusive of superannuation, with effect from 1 December 2020.

Both Mr Dower and Mr Cleaver agreed to a voluntary 10% reduction in total fixed remuneration for a six month period commencing in May 2020, in response to the COVID-19 pandemic.

*Short Term Incentive (STI) Plan – FY21*

During FY21, Messrs Dower and Cleaver participated in an STI plan in accordance with the terms of their employment contracts. Details of STI payments are set out in the *Remuneration of KMP* table in this report. The QANTM Board of Directors retains a discretion to vary or cancel short term incentive payments to KMP and other QANTM corporate executives.

STI results for the financial year are based on achieving Key Performance Indicators (KPIs) approved by the Board. Mr Dower will again participate in an STI plan in accordance with his employment contract with respect to FY22. As announced to the ASX on 19 July 2021, Mr Cleaver has resigned from QANTM and will cease employment on 27 August 2021, however, his successor, Mr Peter Loosmore, who will commence as interim CFO on 30 August 2021, will participate in an STI plan on a similar basis to Mr Cleaver.

**DIRECTORS' REPORT**  
**for the year ended 30 June 2021**

**8. Remuneration Report (Audited) (continued)**

***Sign on Bonus***

In accordance with the terms of his employment contract, and as announced to the ASX on 23 June 2020, in FY20 Mr Dower received an allocation of 295,050 performance rights under an employee incentive plan established at QANTM's IPO in 2016, which was re-approved by shareholders at QANTM's 2019 Annual General Meeting (the **Employee Incentive Plan**). This Plan sets out the terms on which employees can be issued with shares in QANTM and/or performance rights convertible into shares. A description of the Employee Incentive Plan was included in the explanatory notes to the Company's 2019 Notice of Annual General Meeting dated 25 October 2019. The rules of the Employee Incentive Plan permit QANTM to vary the terms of the Employee Incentive Plan by written instrument or resolution of the QANTM Board of Directors at any time. Details of the performance rights issued to Mr Dower as a sign-on bonus are:

- Total value at issue of rights: \$400,000, with each right valued at \$1.35570, based on the volume weighted average selling price of QANTM's shares over the 5 ASX trading days immediately preceding the date of commencement of Mr Dower's employment on 13 January 2020.
- Vesting of rights: The rights vest, and are convertible into ordinary shares, in three tranches, on the business day after announcement of QANTM's half-year financial results in February 2021 (20%), 2022 (30%) and 2023 (50%) respectively. Vesting is subject to reasonable satisfaction of performance conditions to be determined by the board and subject to the terms of the Employee Incentive Plan. No exercise price is payable on vesting. If the vesting conditions are not satisfied, or if the rights are not exercised within 6 months of the dates on which the vesting conditions are satisfied, then the relevant tranche of rights will lapse.
- Rights vesting in FY21: As announced to the ASX on 25 March 2021, the first tranche of those rights vested on 24 March 2021, with 59,010 QANTM shares allocated to Mr Dower. The balance of 236,040 rights are not yet eligible to vest.

***Long Term Incentive (LTI) Plan***

Mr Dower did not participate in an LTI Plan in FY21.

Mr Cleaver participated in an LTI Plan in FY21. As announced to the ASX on 22 October 2020 and 25 March 2021, there were two issues of performance rights to Mr Cleaver during 2021, under the Company's Employee Incentive Plan:

- 190,797 performance rights were issued on 22 October 2020.
  - Total value at issue of rights: \$199,999, with each right valued at \$1.04823, based on the volume-weighted average price of QANTM shares over the 5 ASX trading days after QANTM Shares went 'ex-dividend' in September 2020 following the declaration of the final dividend for QANTM in August 2020.
  - Vesting of rights: The rights vest, and are convertible into ordinary shares, in three tranches subject to satisfaction of vesting conditions relating to satisfactory employment performance and continued employment until the business day after announcement of QANTM's full year results in August 2021 (with respect to 20% of the rights), August 2022 (with respect to 30% of the rights), and August 2023 (with respect to the balance of the rights). No exercise price is payable on vesting. If the vesting conditions are not satisfied, or if the rights are not exercised within 6 months of the dates on which the vesting conditions are satisfied, then the relevant tranche of rights will lapse.
  - Rights vesting in FY21: The vesting conditions with respect to the first tranche of these rights, comprised of 20% of these rights, or 38,159 rights, will have been satisfied on 27 August 2021 and these rights will vest as shares on that date, with no exercise price payable by Mr Cleaver. The remainder of these rights – 80% or 152,638 rights – will lapse with Mr Cleaver's cessation of employment.
- 104,632 performance rights were issued on 25 March 2021:
  - Total value at issue of rights: \$112,500, with each right valued at \$1.07520, based on the volume-weighted average price of QANTM shares over the 5 ASX trading days after QANTM Shares went 'ex-dividend' in March 2021 following the declaration of the interim dividend for QANTM in February 2021.

**DIRECTORS' REPORT**  
for the year ended 30 June 2021

**8. Remuneration Report (Audited) (continued)**

*Long Term Incentive (LTI) Plan (continued)*

- Vesting of rights: The rights vest, and are convertible into ordinary shares, subject to vesting conditions relating to continued employment and achievement of a performance hurdle based on a compound annual growth rate of between 5% and 15% in earnings per QANTM ordinary share over the period from 1 July 2020 to 30 June 2023, as set out in the table below:

CAGR of EPS over the Performance period	% of Rights that vest
<b>Below 5%</b>	Nil
<b>5%</b>	50%
<b>Between 5% and 15%</b>	Straight line pro rata vesting between 50% and 100%
<b>At or above 15%</b>	100%

- Rights vesting in FY21: All of these 104,632 performance rights will lapse with Mr Cleaver's cessation of employment on 27 August 2021.

**Group Performance**

Noting that aspects of KMP remuneration are related to QANTM Group financial performance, including an earnings per share metric, the following table sets out certain key performance measures since the Group was listed in 2016. This table reflects the effect of AASB 16 from 1 July 2019:

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	8.9	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
2020	116,568	15,853	9,377	7.1	7.18	-15%	\$1.18
2021	119,079	16,416	10,385	7.4	7.71	7%	\$1.16

**FY21 Executive Incentive Outcomes**

*Short Term Incentive (STI) Plan – Executive KMP*

With respect to Mr Dower, as noted in the Remuneration Report included in the 2020 QANTM Annual Report, the board approved an STI payment of \$81,250 (including superannuation) with respect to performance in FY20, which was paid in September 2020.

With respect to performance in FY21, the board approved an STI payment of \$269,480 to Mr Dower. The following table provides details of the proportion of the maximum STI opportunity achieved with respect to FY21:

Maximum STI Opportunity for CEO	% of maximum opportunity achieved	% of maximum opportunity not achieved
50% of TFR	83%	17%

Mr Dower's STI payment was based on a combination of Company financial performance (70% weighting) and achievement of individual KPIs based on strategic initiatives (30% weighting).

With respect to Mr Cleaver, as noted in the Remuneration Report included in the 2020 QANTM Annual Report, the board approved an STI payment of \$36,000 (including superannuation) with respect to performance in FY20, which was paid in September 2020.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## DIRECTORS' REPORT for the year ended 30 June 2021

### 8. Remuneration Report (Audited) (continued)

#### FY21 Executive Incentive Outcomes (continued)

With respect to performance in FY21, the board approved an STI payment of \$67,500. The following table provides details of the proportion of the maximum STI opportunity achieved with respect to FY21:

Maximum STI Opportunity for CFO	% of maximum opportunity achieved	% of maximum opportunity not achieved
30% of TFR	60%	40%

Mr Cleaver's STI payment was based on a combination of Company financial performance (70% weighting) and achievement of individual KPIs based on strategic initiatives (30% weighting).

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

	Fixed remuneration		Remuneration linked to performance	
	2021	2020	2021	2020
<b>Executive Director</b>				
Mr Craig Dower	61%	78%	39%	22%
<b>Executive Officer</b>				
Mr Martin Cleaver	79%	91%	21%	9%

#### Key terms of Employment Contracts

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

	Term	Base salary	Notice period for QANTM to terminate employment
<b>Executive Director</b>			
Mr Craig Dower	Commenced 13 January 2020, no minimum term	\$650,000 (\$628,997 exclusive of superannuation)	6 months
<b>Executive Officers</b>			
Mr Martin Cleaver	Commenced 30 August 2017, no minimum term	\$375,000 (\$351,432 exclusive of superannuation)	6 months



## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### DIRECTORS' REPORT for the year ended 30 June 2021

#### 8. Remuneration Report (Audited) (continued)

##### Remuneration of KMP<sup>1</sup>

	FY	Salary and fees \$	Cash bonus \$	Non-Monetary <sup>2</sup> \$	Other \$	Superannuation \$	Long Service and other Leave \$	Share based payments \$	Total \$
<b>Non-Executive Directors</b>									
Mr Richard England	2021	197,200	-	-	-	-	-	-	197,200
	2020	200,000	-	-	-	-	-	-	200,000
Ms Abigail Cheadle	2021	36,720	-	-	-	-	-	-	36,720
	2020	120,000	-	-	-	-	-	-	120,000
Mr Cameron Judson	2021	97,920	-	-	-	-	-	-	97,920
	2020	120,000	-	-	-	-	-	-	120,000
Ms Sonia Petering	2021	118,320	-	-	-	-	-	-	118,320
	2020	120,000	-	-	-	-	-	-	120,000
Mr Leon Allen	2021	118,320	-	-	-	-	-	-	118,320
	2020 <sup>3</sup>	358,312	-	4,407	198,937	14,641	-	-	576,297
<b>Executive Directors</b>									
Mr Craig Dower	2021	632,287	269,480	9,288	-	21,694	10,436	166,512 <sup>4</sup>	1,109,697
	2020	274,891	73,531	3,800	-	18,220	4,884	90,042	465,368
<b>Executive Officers</b>									
Mr Martin Cleaver	2021	354,038	67,500	-	-	21,694	6,567	32,597 <sup>5</sup>	482,396
	2020	331,537	32,580	-	54,533 <sup>6</sup>	27,733	6,692	-	453,076
Mr James Cherry	2021	-	-	-	-	-	-	-	-
	2020	141,703	43,472	5,104	10,785	14,194	6,910	-	222,168
Mr Michael Wolnizer	2021	-	-	-	-	-	-	-	-
	2020	191,444	31,172	5,104	10,785	14,194	7,520	-	260,218
Mr Jern Ern Chuah	2021	-	-	-	-	-	-	-	-
	2020	54,299	-	203	1,870,563	5,989	-	-	1,931,055

## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### DIRECTORS' REPORT for the year ended 30 June 2021

## 8. Remuneration Report (Audited) (continued)

### Remuneration of KMP (continued)

Remuneration of KMP <sup>1</sup>									
	FY	Salary and fees	Cash bonus	Non-Monetary <sup>2</sup>	Other	Superannuation	Long Service and other Leave	Share based payments	Total
		\$	\$	\$	\$	\$	\$	\$	\$
Mr David Webber	2021	-	-	-	-	-	-	-	-
	2020	181,967	19,915	5,104	10,785	14,194	7,520	-	239,485
Mr Adam Sears	2021	-	-	-	-	-	-	-	-
	2020	192,171	19,915	5,104	10,785	14,194	7,520	-	249,688
Mr Christopher Jordan	2021	-	-	-	-	-	-	-	-
	2020	197,699	19,915	5,104	10,785	14,194	9,383	-	257,079

## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### DIRECTORS' REPORT

for the year ended 30 June 2021

## 8. Remuneration Report (Audited) (continued)

Explanatory notes to the table on the preceding page:

1. On an accruals, rather than cash, basis.
2. Relates to car parking,
3. The remuneration received with respect to FY20 relates to Mr Allen's executive role as Chief Executive Officer and Managing Director, in which role he served until 13 January 2020. In this regard, Mr Allen waived his right to continue to be paid his salary during a 6 month post-employment restraint period applying from the date of cessation of his employment as CEO/MD. Mr Allen received a \$135,578 payment in lieu of approximately 11 weeks' of his entitlement to 6 months' notice of termination as CEO/MD, and \$63,360 for consulting services provided in FY20 after cessation of employment, including with respect to merger and acquisition activity.
4. As detailed above in the section headed *Long Term Incentive (LTI) Plan – FY20*, Mr Dower received an allocation of 295,050 performance rights in FY19, based on a value of \$1.35570 per share. 20% of these vested as shares in FY21, with no amount being payable by Mr Dower upon exercise.
5. As detailed above in the section headed *Long Term Incentive (LTI) Plan – FY20*, Mr Cleaver
6. Mr Cleaver was offered the opportunity to participate in a retention plan in October 2018, to secure his ongoing service while QANTM was negotiating two potential alternative merger transactions, with IPH Limited and Xenith IP Group Ltd. Mr Cleaver received a cash payment of \$163,200 in October 2019 pursuant to that retention plan. An accrual of \$108,667 was made as at 30 June 2019, and the remaining \$54,533 was accrued for FY20.

### Bonuses and share-based payments granted as compensation for FY21

#### Cash bonuses

The table above notes the cash bonuses awarded to KMP with respect to performance in FY21.

#### Executive Long Term Incentive Plan

The Company has implemented a Long Term Incentive Plan for corporate executives, involving the award of performance rights to executives, each of which is convertible into one QANTM ordinary share upon the satisfaction of vesting conditions which include continued employment over a vesting period, in some cases satisfaction of conditions related to performance and in some cases achievement of compound annual growth in earnings per share for QANTM issued shares. Details of the performance rights issued to KMP (Mr Dower and Mr Cleaver) during FY20 and FY21 are set out earlier in this report.

#### KMP equity holdings

The number of shares in the Company held at the beginning and end of FY21 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 below.

Name	Balance at	Granted as	Received on	Other changes	Balance at
	1 July 2020	compensation during the year	exercise of rights during the year	during the year	30 June 2021
	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	45,045	-	-	-	45,045 <sup>2</sup>
Mr Cameron Judson	45,044	-	-	-	45,044 <sup>2</sup>
Ms Sonia Petering	45,044	-	-	-	45,044
Mr Leon Allen	2,037,227	-	-	-	2,037,227
Mr Craig Dower <sup>1</sup>	-	-	59,010	-	59,010
Mr Martin Cleaver	6,000	-	-	15,000 <sup>3</sup>	21,000

## **QANTM Intellectual Property Limited and Controlled Entities**

ACN: 612 441 326

### **DIRECTORS' REPORT**

**for the year ended 30 June 2021**

## **8. Remuneration Report (Audited) (continued)**

Explanatory notes to the table on preceding page:

- 1 Mr Dower received an allocation of 295,050 performance rights in June 2020, which are subject to vesting conditions as detailed above in the section headed *Long Term Incentive (LTI) Plan – FY20*. Of these, 59,010 vested and were converted into QANTM ordinary shares during FY21.
- 2 These were the numbers of shares held as at the dates of retirement as a QANTM non-executive director on 27 November 2020 (for Ms Cheadle) and 21 May 2021 (for Mr Judson).
- 3 Mr Cleaver acquired 15,000 shares during the trading window opening in September 2020, following the announcement of QANTM's full year results for FY20.

## **9. Dividends paid or recommended**

The following dividends were paid or declared during the period:

A final fully franked ordinary dividend of 3.8 cents per share was paid on 1 October 2020: \$ 5,103,000.

An interim fully franked ordinary dividend of 4.0 cents per share was paid on 31 March 2021: \$ 5,426,000.

In respect of the year ended 30 June 2021, the directors resolved to approve a fully franked final dividend of 3.4 cents per share. The record date will be 2 September 2021 and the dividend is scheduled to be paid on 7 October 2021. As such the dividend has not been included as a liability in these financial statements. The total dividend to be paid is \$4.6 million (2020: \$5.1 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.

## **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.

## **QANTM Intellectual Property Limited and Controlled Entities**

ACN: 612 441 326

### **DIRECTORS' REPORT**

**for the year ended 30 June 2021**

#### **14. Rounding of amounts**

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

#### **15. Indemnification and insurance of officers and auditors**

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

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

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

#### **16. Non-audit services**

There were no amounts paid or payable to the auditor for non-audit 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 2021, has been received and can be found on page 28 of the financial report.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## DIRECTORS' REPORT

for the year ended 30 June 2021

### 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 (Fourth 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 26th day of August 2021

26 August 2021

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

Dear Board Members

### **Auditor's Independence Declaration to QANTM Intellectual Property Limited**

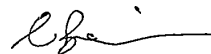
In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of QANTM Intellectual Property Limited.

As lead audit partner for the audit of the financial report of QANTM Intellectual Property Limited for the financial year ended 30 June 2021, 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 faithfully

  
DELOITTE TOUCHE TOHMATSU



Chris Biermann  
Partner  
Chartered Accountants

# 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 2021

		2021 \$'000	2020 \$'000
	<b>Note</b>		
Service Charges		92,355	90,275
Associate Charges		26,724	26,293
<b>Total Revenue from Contracts with Customers</b>	3(a)	<b>119,079</b>	116,568
Other income	3(b)	1,869	2,116
Employee benefits expenses:			
- ordinary		(57,348)	(54,242)
- related to business acquisition		-	(1,860)
Recoverable expenses		(25,350)	(24,660)
Occupancy expenses		(1,959)	(2,040)
Technology expenses		(5,526)	(3,666)
Business acquisition expenses		(379)	(1,402)
Other expenses	4	(6,675)	(8,201)
<b>Earnings before depreciation and amortisation, finance costs and income tax</b>		<b>23,711</b>	22,613
Depreciation and amortisation		(7,295)	(6,760)
<b>Earnings before finance costs and income tax</b>		<b>16,416</b>	15,853
Finance costs		(1,610)	(1,535)
<b>Profit before income tax</b>		<b>14,806</b>	14,318
Income tax expense	5(a)	(4,421)	(4,941)
<b>Net profit for the year</b>		<b>10,385</b>	9,377
<b>Other comprehensive income, net of income tax</b>			
Exchange differences on translating foreign operations		21	(103)
<b>Total comprehensive income for the year</b>		<b>10,406</b>	9,274
<b>Net profit / (loss) attributable to:</b>			
Members of the parent entity		10,473	9,563
Non-controlling interests		(88)	(186)
		<b>10,385</b>	9,377
<b>Total comprehensive income / (loss) attributable to:</b>			
Members of the parent entity		10,494	9,460
Non-controlling interests		(88)	(186)
		<b>10,406</b>	9,274
<b>Earnings per share</b>			
Basic earnings per share (cents)	21	7.71	7.18
Diluted earnings per share (cents)	21	7.68	7.17

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 2021

	Note	2021 \$'000	2020 \$'000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	5,722	6,163
Trade and other receivables	7	37,235	33,724
Other assets	8	1,925	1,717
<b>Total current assets</b>		<b>44,882</b>	<b>41,604</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	2,276	2,404
Right-of-use assets	10	13,218	15,772
Intangible assets	11	74,659	75,666
<b>Total non-current assets</b>		<b>90,153</b>	<b>93,842</b>
<b>TOTAL ASSETS</b>		<b>135,035</b>	<b>135,446</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	13,527	11,217
Provisions	13	7,766	6,510
Borrowings	14	1,995	2,447
Lease liability	15	4,467	4,306
Other financial liabilities	16	751	690
Current income tax liabilities		29	990
<b>Total current liabilities</b>		<b>28,535</b>	<b>26,160</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	13	413	289
Borrowings	14	19,868	21,121
Lease liability	15	10,835	13,634
Other financial liabilities	16	-	575
Deferred tax liabilities	17	2,554	2,473
<b>Total non-current liabilities</b>		<b>33,670</b>	<b>38,092</b>
<b>TOTAL LIABILITIES</b>		<b>62,205</b>	<b>64,252</b>
<b>NET ASSETS</b>		<b>72,830</b>	<b>71,194</b>
<b>EQUITY</b>			
Issued capital	18	297,408	295,510
Reserves	19	(222,396)	(222,278)
Non-controlling interest		(274)	(186)
Accumulated losses		(1,908)	(1,852)
<b>TOTAL EQUITY</b>		<b>72,830</b>	<b>71,194</b>

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 2021

2021

	Issued Capital	Reorganisation Reserve	Acquisition Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Non- Controlling Interest	Accumulated Losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2020</b>	295,510	(222,856)	655	26	(103)	(186)	(1,852)	71,194
Profit for the year	-	-	-	-	-	(88)	10,473	10,385
Other comprehensive income	-	-	-	-	21	-	-	21
<b>Total comprehensive income / (loss) for the period</b>	-	-	-	-	21	(88)	10,473	10,406
<b>Transactions with owners in their capacity as owners</b>								
Shares issued during the year	1,413	-	-	-	-	-	-	1,413
Issued capital from Cotters Acquisition	385	-	(385)	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	(10,529)	(10,529)
Performance rights	100	-	-	(100)	-	-	-	-
Share based payment	-	-	-	346	-	-	-	346
<b>Balance at 30 June 2021</b>	<b>297,408</b>	<b>(222,856)</b>	<b>270</b>	<b>272</b>	<b>(82)</b>	<b>(274)</b>	<b>(1,908)</b>	<b>72,830</b>

2020

	Issued Capital	Reorganisation Reserve	Acquisition Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Non- Controlling Interest	Accumulated Losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2019</b>	294,075	(222,856)	-	-	-	-	(638)	70,581
Profit for the year	-	-	-	-	-	(186)	9,563	9,377
Other comprehensive income	-	-	-	-	(103)	-	-	(103)
<b>Total comprehensive income for the period</b>	-	-	-	-	(103)	(186)	9,563	9,274
<b>Transactions with owners in their capacity as owners</b>								
Shares issued during the year	1,435	-	-	-	-	-	-	1,435
Deferred share consideration for Cotters Acquisition	-	-	655	-	-	-	-	655
Dividends paid	-	-	-	-	-	-	(10,777)	(10,777)
Share based payment	-	-	-	26	-	-	-	26
<b>Balance at 30 June 2020</b>	<b>295,510</b>	<b>(222,856)</b>	<b>655</b>	<b>26</b>	<b>(103)</b>	<b>(186)</b>	<b>(1,852)</b>	<b>71,194</b>

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 2021

	2021	2020
	\$'000	\$'000
Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	123,040	122,237
Payments to suppliers and employees	(96,855)	(97,319)
Business acquisition related remuneration	-	(2,811)
Interest and costs of finance paid	(933)	(769)
Income tax paid	(5,426)	(6,254)
<b>Net cash generated from operating activities</b>	<b>19,826</b>	<b>15,084</b>
32(a)		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for purchase of property, plant and equipment	9 (816)	(1,065)
Payments for intangible assets	11 (837)	(128)
Payments to acquire investments	(715)	(2,665)
Business acquisition related costs	(379)	(1,402)
<b>Net cash used in investing activities</b>	<b>(2,747)</b>	<b>(5,260)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from bank borrowings	32(b) 20,556	19,248
Repayment of bank borrowings	32(b) (22,306)	(8,000)
Payment of lease liabilities	32(b) (5,200)	(5,347)
Dividends paid	(10,529)	(10,777)
<b>Net cash used in financing activities</b>	<b>(17,479)</b>	<b>(4,876)</b>
Net (decrease) / increase in cash and cash equivalents	(400)	4,948
Effects of exchange rate changes on the balance of cash held in foreign currencies	(41)	(34)
Cash and cash equivalents at beginning of year	6,163	1,181
Cash and cash equivalents at end of year	6 5,722	6,163

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 2021

### 1 Statement of Significant Accounting Policies (continued)

#### General Information

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

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

#### Statement of Compliance

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

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on the same date as the Director's report.

#### 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.

#### (a) Group Reorganisation Reserve

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

#### (b) Principles of Consolidation

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

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

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 1 Statement of Significant Accounting Policies (continued)

#### (b) Principles of Consolidation (continued)

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

#### (c) Business Combinations

Business combinations occur where QANTM 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.

Goodwill on acquisition of subsidiaries is included in intangible assets.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 1 Statement of Significant Accounting Policies (continued)

#### (c) Business Combinations (continued)

##### Goodwill (continued)

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

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

#### (d) Revenue Recognition

Revenue 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.

##### *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.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 1 Statement of Significant Accounting Policies (continued)

#### (d) Revenue Recognition (continued)

##### *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.

#### (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 16 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'.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 1 Statement of Significant Accounting Policies (continued)

#### (g) Fair Value of Assets and Liabilities (continued)

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, in the foreign currency translation reserve.

#### (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.



# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 1 Statement of Significant Accounting Policies (continued)

#### (i) Income Tax (continued)

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.

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.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 1 Statement of Significant Accounting Policies (continued)

#### (i) Income Tax (continued)

##### *Current and Deferred Tax for the Period (continued)*

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

##### **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*.

##### *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.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 1 Statement of Significant Accounting Policies (continued)

#### (k) Financial Instruments (continued)

##### *Financial liabilities (continued)*

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.

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.

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.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 1 Statement of Significant Accounting Policies (continued)

#### (k) Financial Instruments (continued)

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).

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 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.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 1 Statement of Significant Accounting Policies (continued)

#### (k) Financial Instruments (continued)

##### 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.

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:

<b>Class of fixed asset</b>	<b>Estimated useful lives</b>
Leasehold improvements	Term of lease
Office Equipment	5-15 years

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.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 1 Statement of Significant Accounting Policies (continued)

#### (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 24 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 - 24 years	Straight line
Software	5 years	Straight line

#### *Derecognition of Intangible Assets*

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

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 1 Statement of Significant Accounting Policies (continued)

#### (m) Intangibles (continued)

##### Implementation of IFRIC agenda decision and new accounting policy

During the year, the Company revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below.

##### *Software-as-a-Service (SaaS) arrangements*

SaaS arrangements are service contracts providing the Company with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of the assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

In a contract where the cloud provider provides both the SaaS configuration and customisation, and the SaaS access over the contract term, judgement is required to determine whether these services are distinct from each other or not, and therefore, whether the configuration and customisation costs incurred are expensed as the software is configured or customised (i.e. upfront), or amortised over the SaaS contract term. Specifically, where the configuration and customisation activities significantly modify or customise the cloud software, these activities will not be distinct from the access to the cloud software over the contract term. Judgement needs to be applied in determining whether the degree of customisation and modification of the cloud-based software that would be deemed significant

The impact of this agenda decision has been incorporated into the financial report and did not have a material impact. Refer to note 1 (x) Critical Accounting Estimates and Judgements.

#### (n) Impairment of Assets

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

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

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

#### (o) Provisions

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

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 1 Statement of Significant Accounting Policies (continued)

#### (o) Provisions

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

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.



# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 1 Statement of Significant Accounting Policies (continued)

#### (p) Leases (continued)

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated amortisation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are amortised over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is amortised over the useful life of the underlying asset. The amortisation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy (as outlined in the financial report for the annual reporting period).

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### (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.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 1 Statement of Significant Accounting Policies (continued)

#### (q) Employee Benefits (continued)

##### *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.

#### (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.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 1 Statement of Significant Accounting Policies (continued)

#### (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:

#### 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 11.

##### *Lease term and option to extend under AASB 16*

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The decision on whether or not the options to extend are reasonably going to be exercised is a key management judgement that the Group will make. The Group determines the likelihood to exercise on a lease-by-lease basis, looking at various factors such as which assets are strategic and which are key to the future strategy of the Group.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 1 Statement of Significant Accounting Policies (continued)

#### (x) Critical Accounting Estimates and Judgements (continued)

##### Key Judgement and Sources of Estimation Uncertainty (continued)

###### *Covid-19*

Management have considered the impact of Covid-19 and the current economic environment on the judgements, estimates and assumptions that affect the reported amounts in the financial statements and adjusted these where appropriate.

In particular, management has considered the impact of Covid-19 on the carrying values of its trade receivables (refer Note 7) and determined that there was no significant impact. Management also considered the impact of Covid-19 on its cash flow forecasts used for its impairment assessments of goodwill and other intangible assets (refer Note 11) and the company's going concern assessment.

###### *Configuration costs incurred in implementing SaaS arrangements.*

Note 1(m) describes the entity's accounting policy in respect of customisation and configuration costs incurred in implementing SaaS arrangements. In applying the entity's accounting policy, the directors made the following key judgements that have had the most significant effect on the amounts recognised in financial statements.

###### *Determination whether configuration and customisation services are distinct from the SaaS access*

Costs incurred to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received. In a contract where the cloud provider provides both the SaaS configuration and customisation, and the SaaS access over the contract term, the directors applied judgement to determine whether these services are distinct from each other or not, and therefore, whether the configuration and customisation costs incurred are expensed as the software is configured or customised (i.e. upfront), or over the SaaS contract term.

Specifically, where the configuration and customisation activities significantly modify or customise the cloud software, these activities will not be distinct from the access to the cloud software over the contract term. Judgement has been applied in determining whether the degree of customisation and modification of the cloud-based software that would be deemed significant. During the year, the Company recognised \$209,000 (2020: \$nil) as prepayments in respect of customisation and configuration activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS access over the contract term.

#### (y) Accounting Standards Issued But Not Yet Effective

##### *AASB 2020-8 Amendments to Australian Accounting Standards – Interest rate Benchmark Reform – Phase 2*

AASB 2020-8 addresses issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relations resulting from the replacement of an interest rate benchmark with an alternative benchmark rate.

The amendments complement *AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* and focus on the effects on financial statements when an entity replaces the existing interest rate benchmark with an alternative benchmark rate as a result of the reform.

The amendments are effective for annual periods beginning on or after 1 January, with early application permitted.

The directors of QANTM do not anticipate that the amendments will have a material impact on the Group.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 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	
	2021 \$'000	2020 <sup>1</sup> \$'000	2021 \$'000	2020 <sup>1</sup> \$'000	2021 \$'000	2020 <sup>1</sup> \$'000
Full-year ended						
Service Charges	86,906	84,346	5,449	5,929	92,355	90,275
Associate Charges	24,631	24,104	2,093	2,189	26,724	26,293
<b>Total Revenue</b>	<b>111,537</b>	<b>108,450</b>	<b>7,542</b>	<b>8,118</b>	<b>119,079</b>	<b>116,568</b>
Other Income	1,661	2,066	208	50	1,869	2,116
Recoverable Expenses	(23,283)	(22,478)	(2,067)	(2,182)	(25,350)	(24,660)
<b>Net Revenue</b>	<b>89,915</b>	<b>88,038</b>	<b>5,683</b>	<b>5,986</b>	<b>95,598</b>	<b>94,024</b>
Overheads	(65,463)	(67,236)	(4,074)	(4,631)	(69,537)	(71,867)
<b>Earnings Before Interest, Tax, Depreciation and Amortisation</b>	<b>24,452</b>	<b>20,802</b>	<b>1,609</b>	<b>1,355</b>	<b>26,061</b>	<b>22,157</b>
Depreciation	(706)	(509)	(238)	(154)	(944)	(663)
Amortisation	(6,086)	(1,309)	(265)	(191)	(6,351)	(1,500)
<b>Segment profit before finance costs and income tax</b>	<b>17,660</b>	<b>18,984</b>	<b>1,106</b>	<b>1,010</b>	<b>18,766</b>	<b>19,994</b>
<b>Adjustments to reconcile to statutory profit</b>						
Unallocated adjustments					(2,350)	(4,141)
<b>Statutory profit before finance costs and income tax</b>					<b>16,416</b>	<b>15,853</b>
Finance costs – Interest					(1,610)	(1,535)
<b>Profit for the period before income tax</b>					<b>14,806</b>	<b>14,318</b>

#### Major customers

No single customer contributed 10 per cent or more of the Group's revenue during either the year-ended 30 June 2021 or 30 June 2020.

<sup>1</sup> Presented in line with the prior year financial report being before consideration of AASB 16 Leases

## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### Notes to the Financial Statements For the Year Ended 30 June 2021

#### 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.

	2021 \$'000	2020 \$'000
<b>Geographical markets</b>		
Australia	111,537	108,450
Asia	7,542	8,118
	<u>119,079</u>	<u>116,568</u>
<b>Service Lines</b>		
Service Charges	92,355	90,275
Associate Charges	26,724	26,293
	<u>119,079</u>	<u>116,568</u>
<b>Timing of revenue recognition</b>		
At a point in time	68,191	66,977
Over time	50,888	49,591
	<u>119,079</u>	<u>116,568</u>

#### 3(b) Other income

Other income	1,869	2,116
	<u>1,869</u>	<u>2,116</u>

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 trademark 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

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

	2021	2020
	\$'000	\$'000
Note		
<b>4 Other Expenses</b>		
The result for the year includes the following other expenses:		
– Travel and entertainment	231	1,704
– Marketing	947	986
– Foreign exchange loss	1,136	811
– Insurance expense	1,524	1,214
– Other expenses	2,837	3,486
	<u>6,675</u>	<u>8,201</u>
<b>5 Income Tax Expense</b>		
<b>(a) The major components of tax expense comprise:</b>		
Current tax expense	4,465	5,301
Deferred tax expense	5(b) 81	125
Over / under provision from previous years	<u>(125)</u>	<u>(485)</u>
<b>Income tax expense</b>	5(c) <u>4,421</u>	<u>4,941</u>
<b>(b) Deferred income tax expense included in income tax expense comprises:</b>		
(Increase) / decrease in deferred tax asset	1,063	(4,072)
Increase / (decrease) in deferred tax liability	<u>(982)</u>	<u>4,197</u>
	<u>81</u>	<u>125</u>
<b>(c) Numerical reconciliation of income tax expense to prima facie tax payable:</b>		
Profit before income tax	<u>14,806</u>	14,318
Income tax expenses calculated at 30%	4,442	4,295
Tax effect of differential corporate tax rate	(53)	(83)
<b>Add tax effect of:</b>		
- Non-deductible expenses	10	684
- Other	22	45
<b>Less tax effect of:</b>		
- Non-assessable income	<u>-</u>	<u>-</u>
<b>Income tax expense</b>	<u>4,421</u>	<u>4,941</u>
The applicable weighted average effective tax rates are as follows:	30%	35%

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

	2021	2020
	\$'000	\$'000
Note		
<b>5 Income Tax Expense (continued)</b>		
<b>(d) Unrecognised deferred tax asset:</b>		
The amount of temporary differences and unused capital tax losses for which no deferred tax asset has been recognised.		
Potential tax benefit at 30 per cent (2020: 30 per cent)	<u>16,062</u>	16,062
Deferred tax assets have not been recognised to the extent that it is not probable that future taxable capital profits will be available against which the losses can be utilised.		
<b>6 Cash and Cash Equivalents</b>		
Cash on hand	10	10
Cash at bank	<u>5,712</u>	<u>6,153</u>
	<u>5,722</u>	<u>6,163</u>
<b>7 Trade and Other Receivables</b>		
CURRENT		
Trade receivables	7(a) 37,512	33,368
Less: Provision for impairment of trade receivables	7(b) (655)	(752)
	<u>36,857</u>	<u>32,616</u>
Other receivables	378	1,108
<b>Total current trade and other receivables</b>	<u>37,235</u>	<u>33,724</u>
<b>(a) Aged analysis</b>		
The ageing analysis of current trade receivables is as follows:		
0-30 days	19,134	15,452
31-60 days	5,502	5,861
61-90 days (past due not impaired)	3,887	3,885
91+ days (past due not impaired)	8,334	7,418
91+ days (past due and impaired)	655	752
	<u>37,512</u>	<u>33,368</u>
<b>(b) Impairment of trade receivables</b>		
Reconciliation of changes in the provision for impairment of trade receivables is as follows:		
Balance at beginning of the year	752	568
Additional provisions recognised	303	701
Receivables written off during the year as uncollectable	<u>(400)</u>	<u>(517)</u>
Balance at end of the year	<u>655</u>	<u>752</u>



# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
<b>8 Other assets</b>			
CURRENT			
Prepayments		<u>1,920</u>	<u>1,717</u>
<b>9 Property, plant and equipment</b>			
<b>Leasehold improvements</b>			
At cost		2,079	2,076
Accumulated depreciation		<u>(2,031)</u>	<u>(1,981)</u>
Net carrying value of leasehold improvements		<u>48</u>	<u>95</u>
<b>Office equipment</b>			
At cost		5,541	4,728
Accumulated depreciation		<u>(3,313)</u>	<u>(2,419)</u>
Net carrying value office equipment		<u>2,228</u>	<u>2,309</u>
<b>Total property, plant and equipment</b>		<u><u>2,276</u></u>	<u><u>2,404</u></u>

### (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
<b>2020</b>					
<b>Opening balance at 1 July 2019</b>		168	1,818	544	2,530
Additions at cost		4	1,061	-	1,065
Additions through business combinations	28	-	16	-	16
Transfer to right-of-use assets	10	-	-	(544)	(544)
Depreciation expense		(77)	(586)	-	(663)
<b>Closing balance at 30 June 2020</b>		<u>95</u>	<u>2,309</u>	<u>-</u>	<u>2,404</u>
<b>2021</b>					
<b>Opening balance at 1 July 2020</b>		95	2,309	-	2,404
Additions at cost		3	813	-	816
Disposals - written down value		-	-	-	-
Depreciation expense		(50)	(894)	-	(944)
<b>Closing balance at 30 June 2021</b>		<u>48</u>	<u>2,228</u>	<u>-</u>	<u>2,276</u>

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
<b>10 Right-of-use asset</b>			
<b>Leased buildings</b>			
Right-of-use asset		21,778	19,825
Accumulated amortisation		<b>(8,628)</b>	(4,322)
		<b>13,150</b>	15,503
<b>Leased motor vehicles</b>			
Right-of-use asset		544	544
Accumulated amortisation		<b>(476)</b>	(275)
		<b>68</b>	269
<b>Total Right-of-use asset</b>		<b>13,218</b>	15,772

### (a) Movements in carrying amounts of right-of-use asset

	Leased buildings \$'000	Lease motor vehicles \$'000	Total \$'000
<b>2020</b>			
Recognised on initial application of AASB 16 (previously classified as operating leases / finance lease under AASB 117)	19,468	544	20,012
Foreign currency translation adjustment to opening balance	(71)	-	(71)
Additions	428	-	428
Amortisation	(4,322)	(275)	(4,597)
Closing balance as at 30 June 2020	<b>15,503</b>	<b>269</b>	<b>15,772</b>
<b>2021</b>			
Opening balance as at 1 July 2020	15,503	269	15,772
Foreign currency translation adjustment to opening balance	(53)	-	(53)
Additions	2,006	-	2,006
Amortisation	(4,306)	(201)	(4,507)
Closing balance as at 30 June 2021	<b>13,150</b>	<b>68</b>	<b>13,218</b>

The Group leases several buildings. The average lease term is 6 years, with a remaining average lease term of 2 years. The right-of-use asset addition of \$2,006,000 relates to the new DDC Singapore office head lease.

The Group does not have any leases which contain variable lease payments.

### (b) AASB 16 related amounts recognised in the statement of profit or loss

	2021 \$'000	2020 \$'000
Amortisation charge related to right-of-use assets	<b>(4,507)</b>	(4,597)
Interest expense on lease liabilities (under finance costs)	<b>(677)</b>	(766)
Short-term lease expenses	-	(30)
<b>Total expenses recognised in the statement of profit loss</b>	<b>(5,184)</b>	(5,393)

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
<b>11 Intangible Assets</b>			
<b>Goodwill</b>			
Balance at beginning of period		48,793	45,836
Acquisitions through business combinations	28	-	2,957
Accumulated impairment losses		-	-
Net carrying value of goodwill		<u>48,793</u>	<u>48,793</u>
<b>Brand names</b>			
Balance at beginning of period		4,521	3,518
Acquisitions through business combinations	28	-	1,003
Accumulated impairment losses		-	-
Net carrying value of brand names		<u>4,521</u>	<u>4,521</u>
<b>Client relationships</b>			
Balance at beginning of period		25,328	22,101
Acquisitions through business combinations	28	-	3,227
Accumulated amortisation bought forward		(4,074)	(2,933)
Amortisation charge for the period		(1,274)	(1,141)
Net carrying value of client relationships		<u>19,980</u>	<u>21,254</u>
<b>Software</b>			
Balance at beginning of period		1,731	1,603
Additions at cost		837	128
Acquisitions through business combinations		-	-
Accumulated amortisation bought forward		(633)	(274)
Amortisation charge for the period		(570)	(359)
Net carrying value of software		<u>1,365</u>	<u>1,098</u>
<b>Total Intangibles</b>		<u><b>74,659</b></u>	<u><b>75,666</b></u>

### (a) Movements in carrying amounts of intangible assets

	Note	Goodwill \$'000	Brand Name \$'000	Client Relationship \$'000	Software \$'000	Total \$'000
<b>2020</b>						
<b>Opening balance at 1 July 2019</b>		45,836	3,518	19,168	1,329	69,851
Additions		-	-	-	128	128
Additions through business combinations	28	2,957	1,003	3,227	-	7,187
Amortisation		-	-	(1,141)	(359)	(1,500)
<b>Closing balance at 30 June 2020</b>		<u><b>48,793</b></u>	<u><b>4,521</b></u>	<u><b>21,254</b></u>	<u><b>1,098</b></u>	<u><b>75,666</b></u>
<b>2021</b>						
<b>Opening balance at 1 July 2020</b>		48,793	4,521	21,254	1,098	75,666
Additions		-	-	-	837	837
Amortisation		-	-	(1,274)	(570)	(1,844)
<b>Closing balance at 30 June 2021</b>		<u><b>48,793</b></u>	<u><b>4,521</b></u>	<u><b>19,980</b></u>	<u><b>1,365</b></u>	<u><b>74,659</b></u>

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 11 Intangible Assets (continued)

#### (b) Cash-Generating Unit

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

	2021 \$'000	2020 \$'000
<b>FPA</b>		
Goodwill	45,836	45,836
Brand names	2,700	2,700
Customer relationships (at amortised cost)	14,611	15,576
Software (at amortised cost)	87	295
	<u>63,234</u>	<u>64,407</u>
<b>AFIP</b>		
Brand names	818	818
Customer relationships (at amortised cost)	2,276	2,451
Software (at amortised cost)	40	131
	<u>3,134</u>	<u>3,400</u>
<b>Cotters</b>		
Goodwill	2,957	2,957
Brand names	1,003	1,003
Customer relationships (at amortised cost)	3,093	3,227
	<u>7,053</u>	<u>7,187</u>

#### (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 amounts of the FPA, AFIP and Cotters CGUs exceeds their carrying amounts. 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 potential impact of COVID has been factored in to the future cash flow forecasts. The VIU model has been used to test the impairment of intangible assets, including goodwill.

#### Key Assumptions

##### FPA

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 to increase by 4.1 per cent for FY2022, increase by 4.0 per cent from FY2023 to FY2024 and increase by 3.5 per cent from FY2025 to FY2026;
- overhead costs based on long term growth rate of 2.5 per cent; and
- in the period beyond 5 years a long-term growth rate of 2.5 per cent; and
- post-tax discount rate of 11.5 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 2021.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 11 Intangible Assets (continued)

#### (c) Impairment Testing (continued)

##### Key Assumptions (continued)

###### *FPA (continued)*

Based on the recoverable amount of the FPA CGU exceeding its aggregate carrying amount at 30 June 2021 there was no impairment charge.

Management's sensitivity analysis has determined that no impairment charge would arise as a result of any reasonable change in key assumption.

###### *AFIP*

The recoverable amount of the AFIP 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 to increase 4.0 per cent from FY2022 to FY202 and an increase of 3.5 per cent from FY2025 to FY2026;
- in the period beyond five years a long-term growth rate of 2.5 per cent;
- overhead costs based on long term growth rate of 2.5 per cent; and
- post-tax discount rate of 14.5 per cent.

The assumptions are based on the Group's forecast operating and financial performance of AFIP reflecting prior performance, current growth rate achieved and the historic growth of patent applications in Malaysia. 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 2021.

Based on the recoverable amount of the AFIP CGU exceeding its aggregate carrying amount at 30 June 2021 there was no impairment charge.

Management's sensitivity analysis has determined that no impairment charge would arise as a result of any reasonable change in key assumption.

###### *Cotters*

The recoverable amount of the Cotters 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 to increase 12.5 per cent for FY2022, increase of 10.0 per cent from FY2023 to FY2025, increase of 8.0 per cent for FY2026;
- in the period beyond five years a long-term growth rate of 2.5 per cent;
- overhead costs based on long term growth rate of 2.5 per cent; and
- post-tax discount rate of 11.5 per cent.

The assumptions are based on the Group's forecast operating and financial performance of Cotters 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 2021.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for the Cotters' CGU to which goodwill is allocated. The directors believe that any reasonably possible change in the key revenue growth rate assumption on which the recoverable amount of Cotters' CGU is based may cause the carrying amount to exceed the recoverable amount.

The impairment charge that would result in the Cotters' CGU as a result of the following change in an assumption:

- Holding all assumptions constant, a reduction in the forecast revenue growth rates in FY23 – FY25 from 10 per cent to 8 per cent would lead to an impairment charge of \$113,000.

Based on the recoverable amount of the Cotters CGU exceeding its aggregate carrying amount at 30 June 2021 there was no impairment charge."

## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### Notes to the Financial Statements For the Year Ended 30 June 2021

	2021 \$'000	2020 \$'000
<b>12 Trade and Other Payables</b>		
CURRENT		
Trade payables	7,992	5,714
GST payable	84	132
Other payables and accruals	5,451	5,371
<b>Total current trade and other payables</b>	<b>13,527</b>	<b>11,217</b>

The average credit period on trade and other payables (excluding GST payable) is 90 days. No interest is payable on outstanding payables during this period.

<b>13 Provisions</b>		
CURRENT		
Employee benefits	7,766	6,510
<b>Total current provisions</b>	<b>7,766</b>	<b>6,510</b>
NON-CURRENT		
Employee benefits	413	289
<b>Total non-current provisions</b>	<b>413</b>	<b>289</b>

#### (a) Movement in Carrying Amounts

	Employee Benefits \$'000	Lease Incentive Provisions \$'000	Total \$'000
<b>2020</b>			
<b>Opening balance at 1 July 2019</b>	<b>8,638</b>	<b>2,473</b>	<b>11,111</b>
Additional provisions	1,330	-	1,330
Provisions used	(3,169)	-	(3,169)
Transfer to right-of-use asset	-	(2,473)	(2,473)
<b>Closing balance at 30 June 2020</b>	<b>6,799</b>	<b>-</b>	<b>6,799</b>
<b>2021</b>			
<b>Opening balance at 1 July 2020</b>	<b>6,799</b>	<b>-</b>	<b>6,799</b>
Additional provisions	3,388	-	3,388
Provisions used	(2,008)	-	(2,008)
<b>Closing balance at 30 June 2021</b>	<b>8,179</b>	<b>-</b>	<b>8,179</b>

## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### Notes to the Financial Statements For the Year Ended 30 June 2021

		2021 \$'000	2020 \$'000
<b>14 Borrowings</b>	<b>Note</b>		
CURRENT			
Bank loans	14(b)	1,995	2,447
<b>Total current borrowings</b>		<b>1,995</b>	<b>2,447</b>
NON-CURRENT			
Bank loans	14(b)	19,868	21,121
<b>Total non-current borrowings</b>		<b>19,868</b>	<b>21,121</b>
<b>Total borrowings</b>		<b>21,863</b>	<b>23,568</b>
<b>(a) Total Current and Non-Current Secured Borrowings</b>			
Bank loans		21,863	23,568
		<b>21,863</b>	<b>23,568</b>

#### (b) Summary of Borrowing Arrangements

During the year the Group entered into a new banking facility agreement with HSBC consisting of:

- US\$25.5 million acquisition facility;
- A\$20 million multi-currency revolving facility;
- A\$5 million overdraft facility; and
- A\$4.3 million multi-option facility.

The facilities have a maturity date of 16 December 2023. All facilities have a variable interest rate based on bank bill swap rate (BBSY) plus a margin. In addition, commitment and line fees calculated based on the relevant limit are payable on the facilities.

The agreement under which the 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 net leverage ratio, borrowing base ratio, debt service cover ratio, gearing ratio and current ratio. The Company has operated within these covenants during the period.

	2021 \$'000	2020 \$'000
Amount unutilised	37,092	14,732
Amount utilised	21,863	23,568
	<b>58,955</b>	<b>38,300</b>

#### (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 HSBC as well as cross guarantees and indemnities between the Group members.

## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### Notes to the Financial Statements For the Year Ended 30 June 2021

	2021 \$'000	2020 \$'000
<b>15 Lease liability</b>		
<b>Maturity analysis:</b>		
Year 1	5,000	4,814
Year 2	3,968	5,050
Year 3	2,766	3,538
Year 4	2,819	2,361
Year 5	1,751	2,442
Onwards	237	1,442
	<u>16,541</u>	<u>19,647</u>
<b>Less: interest payable</b>	<u>(1,239)</u>	<u>(1,707)</u>
	<u>15,302</u>	<u>17,940</u>
<b>Analysed as:</b>		
Current	4,467	4,306
Non-current	<u>10,835</u>	<u>13,634</u>
	<u>15,302</u>	<u>17,940</u>

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

### 16 Other Financial Liabilities

#### CURRENT

Forward exchange contracts	24	176	49
Deferred consideration <sup>1</sup>		<u>575</u>	<u>641</u>
		<u>751</u>	<u>690</u>

#### NON-CURRENT

Deferred consideration <sup>1</sup>		<u>-</u>	<u>575</u>
Total Other Financial Liabilities		<u>751</u>	<u>1,265</u>

<sup>1</sup> Deferred consideration balances relate to acquisition of Cotters Patent and Trademark Attorneys, which occurred on in the prior year.





# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 18 Issued Capital

	2021 \$'000	2020 \$'000
<b>Fully Paid Ordinary Shares</b>	<b>297,408</b>	<b>295,510</b>

#### (a) Ordinary Shares

	2021 No.	2020 No.
<b>At the beginning of the reporting period</b>	<b>134,298,552</b>	133,050,724
Shares issued during the year:		
Issued to employee share trust	1,348,539	-
Issue for business acquisition	334,784	1,247,828
Issued to employee share schemes	78,089	-
<b>At the end of the reporting period</b>	<b>136,059,964</b>	134,298,552

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. 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

78,089 employee shares were issued in the current year due to the exercise of employee performance rights. 1,348,539 employee shares were issued to the employee share trust.

#### (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.

## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### Notes to the Financial Statements For the Year Ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
<b>19 Reserves</b>			
<b>Share based payment reserve</b>			
Opening balance		26	-
Recognition of share-based payments (performance rights)	22	346	26
Transfer from Share based payment reserve on exercise of retention rights		(100)	-
	19(a)	<u>272</u>	<u>26</u>
<b>Reorganisation reserve</b>			
	19(b)	<u>(222,856)</u>	<u>(222,856)</u>
<b>Acquisition reserve</b>			
Opening balance		655	-
Deferred share consideration for Cotters acquisition transferred to issued capital		(385)	-
Deferred share consideration for Cotters acquisition		-	655
	19(c)	<u>270</u>	<u>655</u>
<b>Foreign currency translation reserve</b>			
Opening balance		(103)	-
Exchange differences on translating foreign operations		21	(103)
	19(d)	<u>(82)</u>	<u>(103)</u>
<b>Total reserves</b>		<u><b>(222,356)</b></u>	<u><b>(222,278)</b></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.

#### (d) Acquisition reserve

Represents the share issue portion of the deferred consideration of the acquisition of Cotters during the year.

#### (e) Foreign Currency Translation Reserve

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 20 Dividends

The following dividends were declared and paid:	2021 \$'000	2020 \$'000
<b>Interim Dividend – fully franked ordinary</b>		
3.3 cents paid 26 March 2020	-	4,391
4.0 cents paid 31 March 2021	5,426	-
<b>Final Dividend – fully franked ordinary</b>		
3.8 cents paid 1 October 2020	5,103	-

In respect of the year ended 30 June 2021, the directors resolved to pay a fully franked final dividend of 3.4 cents per share. The record date will be 2 September 2021. As such the dividend has not been included as a liability in these financial statements. The total dividend to be paid is \$4.6 million. There are no income tax consequences arising from this dividend at 30 June 2021.

### Franking account

The franking credits available for subsequent financial years at a tax rate of 30%	4,900	5,249
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The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

### 21 Earnings Per Share

The calculation of Statutory EPS is presented below:

	2021 cents per share	2020 cents per share
Total basic earnings per share	7.71	7.18
Total diluted earnings per share	7.68	7.17

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

	2021 \$'000	2020 \$'000
Profit for the period attributable to Parent entity	10,473	9,563

#### (b) Earnings Used to Calculate Overall Earnings Per Share

Earnings used to calculate overall earnings per share	10,473	9,563
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#### (c) Weighted Average Number of Shares Used as the Denominator in Calculation of Earnings Per Share

	2021 No.	2020 No.
Opening	134,298,552	133,050,724
Cotter's shares issued	-	132,965
EST shares issued	927,351	-
Performance rights issued	20,752	-
Cotter's shares deferred	669,568	59,148
Weighted average number of ordinary shares used in calculating basic earnings per share	135,916,224	133,242,838
Adjustments for calculation of diluted earnings per share:		
- Performance rights	473,291	136,244
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	136,389,515	133,379,081

## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### Notes to the Financial Statements For the Year Ended 30 June 2021

#### 22 Share-Based Payments

##### Executive performance rights

On 23 June 2020, the Group issued 295,050 performance rights to the CEO Craig Dower. During the current financial year the Group issued a further 381,593 performance rights to three group executives. The expected life of the performance rights is 36 months. Vesting of the performance rights will be subject to reasonable satisfaction of performance conditions to be determined by the QANTM Board, and vesting will occur in instalments on the following timetable:

- (i) 20% after one year;
- (ii) 30% after two years; and
- (iii) 50% after three years.

The fair value of the performance rights at valuation date is \$800,000.

##### Movements during the year

	2021		2020	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
<b>Performance rights outstanding as at 1 July</b>	295,050	-	-	-
Granted during the year	381,593	-	295,050	-
Vested during the year	(78,089)	-	-	-
<b>Performance rights outstanding as at 30 June</b>	<b>598,554</b>	<b>-</b>	<b>295,050</b>	<b>-</b>
Performance rights exercisable as at 30 June		-	-	-

##### 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.

##### LTI program performance rights

The Performance Rights are described in Appendix 4G from the 2021 LTI program for the QANTM Group Executives. The Performance Rights vest after 3 years subject to achievement of a performance hurdle (a compound annual growth rate of between 5% and 15% in earnings per share) The Performance Rights are issued under the Company's Employee Incentive Plan, a description of which included in the 2019 Notice of Annual General Meeting dated 25 October 2019.

## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### Notes to the Financial Statements For the Year Ended 30 June 2021

#### 22 Share-Based Payments (continued)

##### LTI program performance rights (continued)

##### Movements during the year

	2021		2020	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Performance rights outstanding as at 1 July	-	-	-	-
Granted during the year	397,600	-	-	-
<b>Performance rights outstanding as at 30 June</b>	<b>397,600</b>	<b>-</b>	<b>-</b>	<b>-</b>
Performance rights exercisable as at 30 June	-	-	-	-

##### The Group had the following share-based payment expense

	2021 \$'000	2020 \$'000
Share based payment expense recognised during the year	<b>346</b>	26

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date using the Black-Scholes pricing model, taking into the account the terms and conditions upon which the options were granted.

#### 23 Financial Risk Management

##### Objectives, Policies and Processes

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

##### Liquidity Risk

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

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

##### Credit Risk

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

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 23 Financial Risk Management (continued)

#### Market Risk

##### Foreign Currency Risk

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

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
<b>30 June 2020</b>		
Asset exposure	15,918	13,467
Liabilities exposure	(3,272)	(1,940)
<b>Net exposure</b>	<u>12,646</u>	<u>11,527</u>
<b>30 June 2021</b>		
Asset exposure	16,999	12,757
Liabilities exposure	(3,599)	(2,678)
<b>Net exposure</b>	<u>13,400</u>	<u>(10,079)</u>

##### Sensitivity Analysis

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

	Increase / (Decrease)	2021 EBITDA impact 000's \$	2021 NPAT impact 000's \$
Change in AUD/USD exchange rate	1 cents / (1 cents)	600 / (600)	420 / (420)

##### 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.

## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### Notes to the Financial Statements For the Year Ended 30 June 2021

#### 23 Financial Risk Management (continued)

##### Market Risk (continued)

##### Liquidity Risk (continued)

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

	2021		2020	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank loans	1.70	21,818	1.87%	23,568
<b>Net exposure to cash flow interest rate risk</b>		<b>21,818</b>		<b>23,568</b>

	Effective Average Fixed Interest Rate Payable		Notional Principal	
	2021 %	2020 %	2021 \$'000	2020 \$'000
<b>Maturity of notional amounts</b>				
<b>1 to 2 years</b>	1.70	1.87	21,818	23,568

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

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

The Board considers that the carrying amount of financial assets and financial liabilities recognised in the financial statements approximate their fair value. The table below shows the assigned level for each asset and liability held at fair value by the Group:

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>30 June 2020</b>					
<b>Liabilities</b>					
Forward exchange contracts	16	-	49	-	49
<b>Total liabilities</b>		-	<b>49</b>	-	<b>49</b>
<b>30 June 2021</b>					
<b>Liabilities</b>					
Forward exchange contracts	16	-	176	-	176
<b>Total liabilities</b>		-	<b>176</b>	-	<b>176</b>

There were no transfers between levels during the financial year.



# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 24 Fair Value Measurement

#### Forward Exchange Contracts

##### Valuation Techniques and Key Inputs

Discounted cash flow method is used - future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

### 25 Parent Entity

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

	2021 \$'000	2020 \$'000
<b>Statement of Financial Position</b>		
Current assets	1,204	2,585
Total Assets	110,781	95,201
Current liabilities	816	1,253
Total Liabilities	22,680	9,266
<b>Equity</b>		
Issued capital	94,532	93,244
Reserves	1,099	26
Accumulated losses	(7,530)	(7,335)
Total Equity	<u>88,101</u>	<u>85,935</u>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Total profit or loss for the year	11,078	10,930
Total comprehensive income	11,078	10,930

#### 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.

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 2021 and 30 June 2020, bank guarantees in respect of property leases were maintained.

Further details of the contingent liabilities are disclosed in Note 31.

#### Contractual Commitments

The parent entity does not have any material contractual commitments as at 30 June 2021 or 30 June 2020.

## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### Notes to the Financial Statements For the Year Ended 30 June 2021

#### 26 Interests in Subsidiaries

##### Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%) <sup>1</sup> 2021	Percentage Owned (%) <sup>1</sup> 2020
<b>Subsidiaries:</b>			
Advanz Fidelis IP Sdn Bhd	Malaysia	100	100
Davies Collison Cave Pty Ltd <sup>2</sup>	Australia	100	100
Davies Collison Cave Law Pty Ltd <sup>2</sup>	Australia	100	100
Davies Collison Cave Asia Pte Ltd	Singapore	100	100
Davies Collison Cave NZ Ltd	New Zealand	100	100
FPA Patent Attorneys Pty Ltd <sup>2</sup>	Australia	100	100
FPA Patent Attorneys Asia Pte Ltd	Singapore	100	100
ipervescence Pty Ltd	Australia	51	51
QIP Services Pty Ltd <sup>2</sup>	Australia	100	100
QIP Nominees Pty Ltd	Australia	100	100
Cotters Patent and Trade Mark Attorneys <sup>2</sup>	Australia	100	100

#### 27 Deed of Cross-Guarantee

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

	2021 \$'000	2020 \$'000
<b>Statement of Comprehensive Income</b>		
Service charges	86,851	84,441
Associate charges	24,631	24,787
<b>Total revenue</b>	<b>111,482</b>	109,228
Other income	1,661	1,138
Employee benefits expense	(53,938)	(52,792)
Recoverable expenses	(23,282)	(23,213)
Occupancy expenses	(1,377)	(1,315)
Business Acquisition costs	(379)	(1,379)
Other expenses	(11,648)	(10,500)
<b>Earnings before depreciation and amortisation, finance costs and income tax</b>	<b>22,519</b>	21,167
Depreciation and amortisation	(7,057)	(6,583)
<b>Earnings before finance costs and income tax</b>	<b>15,462</b>	14,584
Finance costs	(1,610)	(1,534)
<b>Profit before income tax</b>	<b>13,852</b>	13,050
Income tax expense	(4,384)	(4,704)
<b>Net profit for the year</b>	<b>9,468</b>	8,346
<b>Total comprehensive income for the year</b>	<b>9,468</b>	8,346

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

<sup>2</sup> Members of the cross guarantee group. Refer to Note 27

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## Notes to the Financial Statements For the Year Ended 30 June 2021

### 27 Deed of Cross-Guarantee (continued)

	2021 \$'000	2020 \$'000
<b>Statement of Financial Position</b>		
<b>Current Assets</b>		
Cash and cash equivalents	4,247	4,986
Trade and other receivables	34,251	30,938
Other financial assets	471	-
Other assets	4,012	4,339
<b>Total Current Assets</b>	<b>42,981</b>	<b>40,263</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	2,071	2,178
Right-of-use asset	12,938	15,434
Intangible assets	74,617	75,530
<b>Total Non-Current Assets</b>	<b>89,626</b>	<b>93,142</b>
<b>Total Assets</b>	<b>132,607</b>	<b>133,405</b>
<b>Current Liabilities</b>		
Trade and other payables	12,394	10,297
Provisions	8,028	6,093
Borrowings	1,995	2,447
Lease liability	4,482	4,306
Other financial liabilities	751	690
Current tax liabilities	-	859
<b>Total Current Liabilities</b>	<b>27,650</b>	<b>24,692</b>
<b>Non-Current Liabilities</b>		
Provisions	12	289
Borrowings	19,868	21,036
Lease liability	10,539	13,321
Other financial liability	-	575
Deferred tax liabilities	3,174	2,434
<b>Total Non-Current Liabilities</b>	<b>33,593</b>	<b>37,655</b>
<b>Total Liabilities</b>	<b>61,243</b>	<b>62,347</b>
<b>Net Assets</b>	<b>71,364</b>	<b>70,158</b>
<b>Equity</b>		
Issued Capital	297,260	295,964
Reserves	(222,991)	(222,540)
Retained Earnings	(2,905)	(2,366)
<b>Total Equity</b>	<b>71,364</b>	<b>71,058</b>

## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### Notes to the Financial Statements For the Year Ended 30 June 2021

#### 28 Business Combination

##### Acquisition of Cotters Patent and Trade Mark Attorneys

In the prior period, the Company acquired Cotters Patent and Trade Mark Attorneys for a total purchase consideration of \$5.35 million payable in instalments over two years. 35% of each of the three instalments is payable by way of the issue of QANTM shares.

The Company has paid the first deferred instalment of \$1.1 million comprising \$715,000 cash and \$385,000 in shares. The prior year instalment was \$2.665 million in cash and \$1.435 million in shares.

The purchase price accounting involves judgment and complexity in the purchase price allocation, including determining the fair values of the acquired assets and liabilities. The fair value of below numbers are final and there will be no changes.

Details of the business combination are set out below:

	<b>\$'000</b>
Cash consideration	3,256
Shares	2,091
<b>Total consideration</b>	<b>5,347</b>
<b>Recognised amounts of identifiable net assets:</b>	
<b>Assets</b>	
Trade and other receivables	535
Prepayments	23
Fixed assets	16
Right-of-use asset	428
Intangibles	4,230
<b>Total Assets</b>	<b>5,232</b>
<b>Liabilities</b>	
Trade and other payables	169
Other current liabilities	178
Borrowings	818
Lease liability	428
Provisions	16
Deferred Tax Liability	1,233
<b>Total Liabilities</b>	<b>2,842</b>
Total identifiable net assets at fair value	2,390
<b>Goodwill</b>	<b>2,957</b>

#### 29 Related Parties

##### Parent entity

QANTM Intellectual Property Limited.

##### Subsidiaries

Interests in subsidiaries are set out in Note 26.

##### Key management personnel

Disclosures relating to key management personnel are set out in Note 30 and the remuneration report in the Directors' Report.

## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### Notes to the Financial Statements For the Year Ended 30 June 2021

#### 30 Key Management Personnel Disclosures

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

	2021 \$'000	2020 \$'000
Short-term employee benefits	2,100	5,026
Post-employment benefits	43	138
Other long-term benefits	17	50
<b>Total KMP compensation</b>	<b>2,160</b>	<b>5,214</b>

#### 31 Contingent Liabilities

Estimates of material amounts of contingent liabilities, not provided for in the financial report:

Bank guarantees in respect of property leases	3,846	2,201
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#### 32 Cash Flow Information

##### (a) Reconciliation of Result for the Year to Cash Flows from Operating Activities

	2021 \$'000	2020 \$'000
Reconciliation of net income to net cash provided by operating activities:		
Profit for the year after income tax	10,385	9,377
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- Depreciation and amortisation	7,295	6,760
- Share based payments	246	26
- Bad debt expense	303	701
- Interest expense on lease liabilities	677	766
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- increase in trade and other receivables	(3,208)	(1,810)
- increase in other assets	(203)	(228)
- increase in trade and other payables	3,831	2,293
- increase/(decrease) in provisions	1,380	(1,839)
- decrease in income tax payable	(1,248)	(1,162)
- increase in deferred tax balances	368	200
Cash flow from operations	<b>19,826</b>	<b>15,084</b>

## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### Notes to the Financial Statements For the Year Ended 30 June 2021

#### 32 Cash Flow Information (continued)

##### (b) Reconciliation of Liabilities arising from Financing Activities

	1 July 2020 \$'000	Cash flows \$'000	Fair value changes \$'000	Acquisition \$'000	Other \$'000	30 June 2021 \$'000
Bank loans	23,568	(1,750)	-	-	-	21,818
Lease liabilities	17,940	(5,200)	-	-	2,562	15,302
Total liabilities from financing activities	<b>41,508</b>	<b>(6,950)</b>	-	-	<b>2,562</b>	<b>37,120</b>

2021  
\$

2020  
\$

#### 33 Auditors' Remuneration

##### Deloitte and related network firms

Audit or review of financial reports:

- Group	<b>192,400</b>	184,100
	<b>192,400</b>	184,100

##### Other auditors and their related network firms

Audit or review of financial reports:

- Subsidiaries	<b>89,104</b>	43,545
- Accounting services	<b>15,509</b>	18,409
	<b>104,613</b>	61,954

#### 34 Events Occurring After the Reporting Date

There were no significant events post 30 June 2021 that have impacted the Group.

#### 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 2021 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 26th day of August 2021

## 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 2021, 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 2021 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have 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
<p>Carrying value of goodwill and intangible assets – impairment assessment</p> <p>Refer to Note 11.</p> <p>As at 30 June 2021 the Group’s carrying value of goodwill and intangible assets totals \$74.7 million, of which \$2.9 million relates to the Cotters cash generating unit (“CGU”). Significant judgement is exercised in determining the assumptions and estimates involved in preparing the Cotters Value in Use (“ViU”) valuation model including:</p> <ul style="list-style-type: none"> <li>• Forecasts of revenue and Earnings before Interest and Tax (“EBIT”) for the years 2022 to 2026;</li> <li>• Long-term growth rate applied within the ViU valuation model; and</li> <li>• Weighted Average Cost of Capital (“WACC”) rate utilised within the ViU valuation model.</li> </ul> <p>Management has applied judgement to determine their best estimate for assumptions within the ViU valuation model, including internal and external data as inputs, and factored into their assumptions any continued anticipated challenges associated with COVID-19 and its result on the cash flows of the Cotters CGU.</p> <p>The ViU valuation model is sensitive to changes in assumptions and estimates used within the ViU valuation model.</p>	<p>In conjunction with our valuation specialists, our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the control implemented to address the risk relevant to the accuracy of key assumptions within the ViU valuation model;</li> <li>• Assessing the objectivity and competence of the external valuation specialist used by management;</li> <li>• Evaluating management’s methodology used to assess the Cotters CGU for impairment;</li> <li>• Challenging key assumptions including: forecast growth rates by comparing them to results achieved post the commencement of the COVID-19 virus, business trends, economic and industry forecasts and comparable organisations;</li> <li>• Assessing the consistency of the cash flows used with the latest Board approved budget for Cotters and assessing the historical accuracy of forecasting by Cotters management;</li> <li>• Evaluating the discount rate used by assessing the cost of capital for the Cotters CGU and comparable organisations by comparison to market data and industry research;</li> <li>• Testing on a sample basis, the mathematical accuracy of the cash flow model;</li> <li>• Assessing management’s sensitivity analyses on the impairment model using varied discount rates, short-term growth projections as well as long-term growth forecasts to simulate alternative market conditions; and</li> <li>• Assessing the appropriateness of the disclosure presented within the financial statements in relation to the sensitivity of the ViU valuation model to changes within the key assumptions.</li> </ul>

### Other Information

The directors are responsible for the other information. The other information comprises the Directors’ Report, ASX announcement 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): the QANTM Group, 2021 Year in Review, Chairman and CEO Report, Business Review, People and Culture, Group Executive Team, Board of Directors, and Five-Year Financial Summary, 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 QANTM Group, 2021 Year in Review, Chairman and CEO Report, Business Review, People and Culture, Group Executive Team, Board of Directors, and Five-Year Financial Summary, 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, actions taken to eliminate threats or safeguards applied.

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

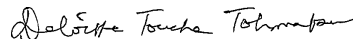
### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 17 to 25 of the Directors' Report for the year ended 30 June 2021.

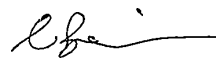
In our opinion, the Remuneration Report of QANTM Intellectual Property Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

### *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, 26 August 2021

## 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 11 August 2021.

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	112	115,909,199	85.19%
10,001 to 100,000	526	16,295,482	11.98%
5,001 to 10,000	278	2,316,183	1.70%
1,001 to 5,000	428	1,315,812	0.97%
1 to 1,000	436	223,288	0.16%
<b>Total</b>	<b>1,780</b>	<b>136,059,964</b>	<b>100.00%</b>

#### Less than marketable parcels of ordinary shares

There are 64 shareholders with unmarketable parcels totalling 7,538 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 as at 11 August 2021 are as follows:

		Number of fully paid Ordinary Shares	% of issued Capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,472,189	20.46%
2	CITICORP NOMINEES PTY LIMITED	6,685,219	4.91%
3	SMARTEQUITY EIS PTY LTD	5,370,590	3.95%
4	ARGO INVESTMENTS LIMITED	4,900,053	3.60%
5	NATIONAL NOMINEES LIMITED	3,997,291	2.94%
6	JOHN DOWER	2,888,884	2.12%
7	H CUNNOLD PTY LTD	2,735,000	2.01%
8	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,546,167	1.87%
9	CURPSI PTY LTD	2,037,226	1.50%
9	FORDHAM PTY LTD	2,037,226	1.50%
9	GNARWARRE INVESTMENTS PTY LTD	2,037,226	1.50%
9	LOUGHNAN HILL PTY LTD	2,037,226	1.50%
9	MACROPHAGE PTY LTD	2,037,226	1.50%
9	OAKVALE PTY LTD	2,037,226	1.50%
9	PETROB HOLDINGS PTY LTD	2,037,226	1.50%
9	REZINLOW HOLDINGS PTY LTD	2,037,226	1.50%
9	ROCKY ROAD PTY LTD	2,037,226	1.50%
9	SYBARITE PTY LTD	2,037,226	1.50%
9	TSAR INVESTMENTS PTY LTD	2,037,226	1.50%
9	WOODCASTLE PTY LTD	2,037,226	1.50%
	Totals	<b>69,376,851</b>	<b>50.99%</b>
	Total Remaining Holders Balance	66,683,113	49.01%
	<b>Total Quoted Equity Securities</b>	<b>136,059,964</b>	<b>100.00%</b>

#### Unquoted Equity Securities

During the current financial year the Group issued 381,593 performance rights to three group executives. Details of timing and conditions for vesting are detailed in note 22.

## QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

### Additional Information for Listed Public Companies

#### Substantial Shareholders

As at 11 August 2021, 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
ICE Investors	7,253,977	5.33%

#### Restricted Securities

The Company had the following restricted securities on issue as at 11 August 2021:

Class	Type of Restriction	Number of Securities	% of issued capital	End Date of Escrow Period
Ordinary Shares	Voluntary Escrow	1,247,828	0.917%	22 May 22
Ordinary Shares	Voluntary Escrow	334,784	0.253%	24 May 22
<b>Total Escrowed Shares</b>		1,582,612	1.163%	

#### 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.