

# ASX Announcement



23 October 2023

## QANTM'S 2023 ANNUAL REPORT

Attached is a copy of QANTM Intellectual Property Limited's 2023 Annual Report that will be issued to shareholders.

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**This announcement has been authorised by the QANTM Board for release through the ASX Market Announcements Platform.**

### For further information

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### About QANTM Intellectual Property

QANTM Intellectual Property Limited (QANTM, ASX: QIP) is the owner of a group of leading intellectual property (IP) services businesses operating in Australia, New Zealand, Singapore, Malaysia and Hong Kong under key brands Davies Collison Cave, DCC Advanz Malaysia, Davies Collison Cave Law, FPA Patent Attorneys, and Sortify.tm Ltd (including Sortify's brands – DIY Trademarks, Trademarks Online and Trademark Planet). With more than 150 highly qualified professionals, the businesses within the QANTM Group have a strong track record in providing a comprehensive suite of services across the IP value chain to a broad range of Australian and international clients, ranging from start-up technology businesses to Fortune 500 multinationals, public research institutions and universities.





Annual Report 2023

# Protecting the ideas of the world's greatest innovators



# Our Vision

To be recognised as the pre-eminent and most innovative IP services group in the Asia Pacific region

# Our Mission

Working with the world's greatest innovators, we help develop and protect their ideas

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# Our Values



## **Collegiality, respect**

We achieve through teamwork and collaboration



## **Integrity, courage**

We act with integrity, dignity and respect



## **Care, empathy**

We practise the highest standards around ethics and transparency



## **Commitment, engagement**

We deliver with excellence  
We are passionate about innovation and creativity



# The QANTM Group

QANTM Intellectual Property Limited (ASX:QIP) is the owner of leading intellectual property (**IP**) businesses operating in Australia, New Zealand, Singapore, Malaysia, Hong Kong and the United Kingdom under the key brands – Davies Collison Cave Pty Ltd (DCC), FPA Patent Attorneys Pty Ltd (FPA), and Sortify.tm Ltd (including Sortify's brands – DIY Trademarks, Trademarks Online and Trademark Planet).

QANTM offers to clients in a range of sectors, highly specialised services associated with the creation, protection, enforcement and management of IP rights.

The QANTM Group businesses have a strong track record in providing IP services to a broad range of Australian and international clients, ranging from start-up technology businesses to Fortune 500 multinationals, public research institutions and universities.



One of Asia Pacific's largest and longest established patent and trade marks attorney firms.



A leading specialist IP law firm and provides the full spectrum of IP related legal services.



One of the leading and most innovative patent firms in Australia, New Zealand and Singapore.



Developer and provider of AI-powered IP systems for attorneys and leading online trade mark registration platforms.



**370**  
employees

located across five key countries,  
servicing major global markets

Hong Kong

Malaysia

Singapore

Australia

New Zealand

## Our Pathways to Growth

### Organic Growth

- Focus on client service excellence
- Diverse capabilities & service offerings
- Targeted sales & marketing

### M&A and Strategic Alliances

- EPS accretive acquisitions
- Focus on Asia
- New beach heads

### Technology and Simplification

- Adjacent capabilities (e.g. Sortify)
- Automation/ productivity tools
- AI-based platforms and tools

# Depth and breadth of industry coverage

In an increasingly volatile world,  
IP remains a critical asset.

The global IP sector  
has continued to  
show resilience,  
evident in the growth  
experienced in patents  
and trade marks.



ICT  
& Software

~2,250

clients across the Group

Local &  
International  
clients



DCC  
Law



Building  
& Construction



Biotechnology



Arts, Marketing,  
Media



Medical Devices  
& Technology



Materials  
Science



Mining  
& Resources





Agriculture, agrichemicals, food, nutrition



Food, Beverages, FMCG



Clean Technology, Energy



Industrial Chemicals



Electrical & Electronic Engineering



Fashion, Architecture & Design



Plant Breeder's Rights

No individual client accounts for **>2%** of revenue



Consumer Products & Design

## Longstanding relationships 5, 10, 20+ years

Client relationships tend to be long term and stable.

The need for clients to continually protect their most important asset, intellectual property, persists irrespective of ongoing market conditions.



Physics & Engineering



Pharmaceuticals & Chemistry



University & Applied Research



Nano Technology



# FY23 Year in Review

## Strong growth in revenue and profitability

New revenue benchmarks reached driven by continued growth in market share in Australia and Asia. Margin improvements from improved financial discipline, cost management and strategic initiatives has resulted in earnings outpacing revenue growth.

**Significant organic revenue growth** underpinned by strong momentum in patent applications and trade mark filings across all territories

**Dominant position in trade mark applications** in Australia with Sortify and DCC, ranking first and second

### 16.5%

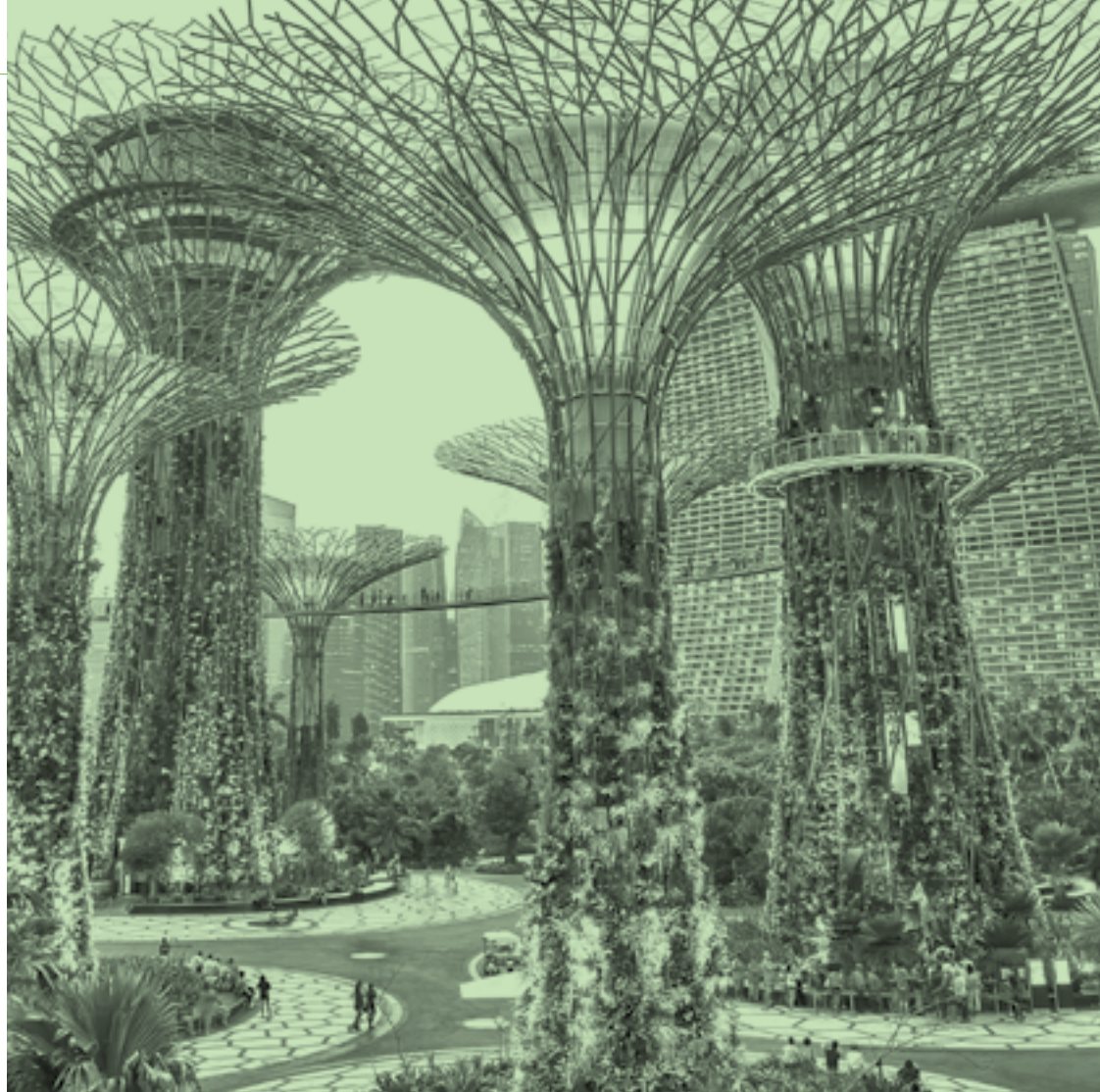
Patent market share in Australia of 16.5% achieved, the highest level since listing

Several new client wins across DCC and FPA have created **a strong pipeline of future work**, which contributes to future revenue and earnings

Strong earnings performance enabled the payment of a fully franked dividend for FY23 of

### 6.3cps





## Regional expansion in Asia

Asia is the largest market globally for patent applications, and continues to represent a strong source of revenue, patent applications growth, and market share to the Group.<sup>1</sup>

Service Charges have increased by

**^32.2%**

reflecting the reputation and strength of the DCC and FPA brands in Asia

**15.7%**

Patent applications in Asia now comprise 15.7% of total Group applications

Sortify platforms established in **Singapore, Malaysia and Hong Kong** with promising early traction

M&A and **strategic alliance** pipeline developing with strong focus on Asia

DCC Hong Kong office opened further **expanding the regional footprint**

<sup>1</sup> Asian countries filed 67.6% of global patent applications in 2021. Source: World Intellectual Property Report, 2022

## FY23 Year in Review (continued)



Record volumes in Sortify's main markets as the No 1 filer of trade marks in Australia, No 2 in New Zealand, and approaching the top 10 in the UK.

## Sortify acceleration

Sortify has made significant progress in FY23, and with its compelling mission of "making trade mark protection available to anyone" has the potential to be a strategic differentiator in our business.

Early traction in recently opened markets of **Singapore, Hong Kong and Benelux<sup>1</sup>**

**Access to trade marks for SMEs** has allowed the Group to generate revenue from this large, underdeveloped segment

Continued development of SaaS products targeted at the 'Attorney' and 'Enterprise' levels to capitalise on industry tailwinds for **AI-based productivity tools**

**Successful trials of AI-based services** leveraging Sortify automation expertise into DCC and FPA

<sup>1</sup> Benelux is a collective name for Belgium, the Netherlands and Luxembourg, especially with reference to their economic union.

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# Investment into people and operations

Multi-year investments into processes, technology and offices have continued to simplify and streamline our operations while providing an environment that allows our employees to excel.

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Focus on recruitment in key growth areas, with a strong emphasis on **fostering diversity within our workforce**

New office **spaces designed to encourage collaboration** among employees and enhance client service

Migration of infrastructure to Microsoft Azure and upgraded **IP management platforms** for improved workflow and productivity

**Technology improvements** have enabled a flexible work from anywhere culture promoting efficiency and agility

Ongoing commitment to professional development, well-being initiatives and employee engagement to promote employee retention





# FY23 Highlights

## Business Highlights

### Patents

#### Patent Service Charges

^ 7.6%

\$69.9m FY23 vs \$65.0m FY22<sup>1</sup>

Solid increase in patent applications across Australia, Asia and Rest of World applications

#### Group Patent Applications

^ 0.9%

9,884 FY23 vs 9,792 FY22

Group patent applications have now grown by 4% over the last two years

#### Australian Patent Market Share of

16.5%

FY22: 15.0%

Highest since listing

### Trade Marks

#### Trade Mark Service Charges

^ 8.3%

\$21.5m FY23 vs \$19.8m FY22<sup>1</sup>

Full year contribution from Sortify and a solid performance in DCC

#### Group Trade Mark Applications

^ 8%

6,302 FY23 vs 5,840 FY22

Record filings in Sortify which now holds the #1 position in Australia, #2 in New Zealand

#### Australian Trade Mark Applications

^ 6.5%

Compared to a trend of 5% decline for the top 50 agents.

DCC maintained #2 market share in Australia and the #4 position in New Zealand

### Legal/Litigation

#### Legal/Litigation Service Charges

^ 5.7%

\$12.4m FY23 vs \$11.7m FY22<sup>1</sup>

Increase service charge contribution from increased case loads

1. DCC, DCC Advanz, FPA and Sortify management analysis



## Financial Highlights

Total  
Revenue

^ 7.6%

to \$137m (FY22: \$127.3m)

Service Charges  
Revenue

^ 7.4%

\$103.8m (FY22: \$96.6m)

Earnings  
Per Share

^ 7.0%

5.69 cents (FY22: 5.32 cents)

Underlying  
EBITDA

^ 8.2%

\$28.5m (FY22: \$26.3m)

Underlying  
NPAT

^ 14.5%

\$14.7m (FY22: \$12.8m)

Cash and Cash  
Equivalents

^ 8.1%

\$8.0m (FY22: \$7.4m)

Full Year Dividends

6.3 cents  
fully franked

(FY22: 6.5 cents)

Net Debt as at  
30 June 2023

^ 1.7%

\$24.2m (FY22: \$23.8m)

Asian Patent  
Applications of

15.7%

FY22: 15.8%

Flat on prior year

Expect to see continued improved margins over next several reporting periods through productivity enhancements, improved financial disciplines and cost reductions



# From the Chair and CEO

Dear fellow Shareholders,

On behalf of the Board, we are delighted to present to you the 2023 Annual Report for QANTM Intellectual Property Ltd (QANTM).

**Sonia Petering**  
Chair



**Craig Dower**  
CEO and Managing Director



## Our Purpose

Every day, our people are inspired by the world's greatest innovators and support them by helping them develop and protect their ideas. Our highly diversified client base, from start-ups to internationally recognised global brands, trust us with their most important asset, their intellectual property (IP). This year, we continued to serve over 5,000 clients in approximately 60 countries. Our operations in five countries, underscores our commitment to regional expansion.

## The Market

The global IP sector has been resilient, evident in the continued growth in patents and trade marks. Investment in Research and Development underpins innovation and economic growth. The need for clients to continually protect their IP persists irrespective of prevailing market conditions. Our regional reach and depth of our IP expertise position us well to help clients on this journey.

The past 12 months have seen a step change worldwide, with artificial intelligence (AI) coming to the fore across many industries. This is also the case in the IP industry. This broad innovation

provides the building blocks for new patent and trade mark applications in each territory and each sector. Our size and culture allow us to remain agile, adjusting quickly to our client needs and changing market trends, to help them capitalise on opportunities.

### Strong FY23 Performance

We are pleased to have delivered strong financial results in a challenging high-inflation environment with ongoing market uncertainty. Our Total Revenue increased to \$137.0 million, up 7.6% from FY22. This year all our business lines experienced robust growth with Service Charge revenues increasing by 7.4% to \$103.8 million, reflecting our ability to drive top-line growth across each of our businesses. Passing the \$100 million Service Charges milestone for the first time, is an endorsement from our clients to the quality of service we deliver.

Each of our key service offerings has experienced significant growth. Patent service charges and trade mark service charges grew by 7.6% and 8.3% respectively, demonstrating the resilience of IP protection even in a challenging economic climate. Legal and mitigation services grew by 5.7%, reflecting sustained demand for legal expertise in IP.

More significantly, earnings outpaced this revenue growth with our underlying EBITDA increasing by 8.2% to \$28.5 million, and underlying NPAT increasing by 14.5% to \$14.7 million. These figures are a result of our effective cost management and strategic initiatives that have positively impacted our bottom line. This strong earnings performance enabled the distribution of a fully franked dividend for FY23 of 6.3cps.

This is now the third consecutive period of margin improvement. The cost savings we have achieved have been reinvested in technology modernisation, which will in turn enable us to change the way we operate as a business. These technology modernisation and business simplification efforts have all contributed to our sustainable margin growth, with ~\$1 million in bottom line impact in FY23.

### DCC and FPA

Both DCC and FPA saw strong continued momentum, winning new clients in several industry sectors. The high level of client service is a testament to the dedication and quality of our people, and this has been recognised within the industry. DCC received more than 100 individual industry awards this year. 100% of FPA Principals were acknowledged as leading patent professionals in IAM's Patent 1000 for 2023. This industry recognition is translating to improved market share.

Notably, we made substantial progress in patent market share in Australia increasing from 15.0% in FY22, to 16.5%. This represents a significant achievement, as we not only expanded our number of patent applications but also did so in the face of a 7% decline in the overall market. This highlights our competitive edge – our continuous dedication to excellence.

**“Both DCC and FPA saw strong continued momentum, winning new clients in several industry sectors. The high level of client service is a testament to the dedication and quality of our people ...”**

### Sortify

The acquisition of Sortify in 2021, a platform simplifying trade mark filing, has been a strategic move that can become a future growth centre. Sortify's innovative AI-enabled approach to making trade mark protection accessible and cost-effective has resonated strongly with clients. This demonstrates our adaptability and ability to thrive by embracing innovative solutions that address market needs.

Sortify continue to break new ground, with record volumes in existing markets. Sortify is now the #1 filer of trade marks in Australia, #2 in New Zealand, and is approaching the top 10 in the UK. Sortify also has early traction of its platform in Singapore, Hong Kong and Benelux. Sortify's mission of “making trade mark protection available to anyone” continues to ring true.

Importantly, Sortify is expanding its product suite to target both Attorney and Enterprise level solutions. We are excited about the potential of Sortify going into FY24. The team has developed deep AI capabilities that solve real business problems and can act as a disruptor to traditional IP business models. Sortify will play an increasing role in QANTM's revenue and profitability in the years ahead.

## From the Chair and CEO (continued)



### Our People

This sustainable growth has all occurred from the efforts of our people. We firmly believe that our people are our greatest asset. Our focus on attracting and retaining top talent within the IP industry has been a pivotal factor in our performance. We are committed to creating an optimal working environment for our workforce, promoting diversity, inclusion, and employee well-being.

We have continued to modernise our approach to talent identification and retention and to improving employee experience. We have invested in strengthening capabilities across learning and leadership development, to ensure that we are adopting market-leading people practices. These activities are key to attracting and retaining the best talent, and to how we deliver excellence for our clients today and in the future.

Our regional footprint provides us with a distinct advantage. Our investment in new office locations for both DCC and FPA is designed to foster collaboration and innovation, while reducing cost. We strive to create an environment where professionals thrive and contribute effectively to our company's success.

### Technology Modernisation and Business Simplification

Our ambitious technology modernisation program has emerged as a critical driver of our growth and efficiency. The migration of core production systems to Microsoft Azure enhances data security, stability and scalability. This modernisation extends to upgrading IP management platforms and implementing automation projects, streamlining operations, improving productivity, and providing better tools for both client-facing and support teams.

We continue to work on implementing tools that will make a significant difference in terms of workflow support for the IP life cycle, supporting an improved experience for our client base. These investments into our platforms creates a more versatile, lower cost infrastructure that enables us to work more effectively and efficiently.

We have also made strategic investments in cyber capabilities, in terms of people, processes, and technology, to effectively integrate a culture of cyber preparedness throughout our organisation's risk framework.

### FY24 Priorities

Our performance in FY23, with improving returns, demonstrates that our current strategy is working. Our Board and Executive team are committed to the following priorities in FY24:

- **Organic growth:** We are focused on ongoing client service excellence using our best-in-market capabilities to provide diverse service offerings for our clients. For both DCC and FPA, we plan to continue growing in each territory we are in, exploring opportunities in new markets. For Sortify, we aim to expand its footprint in markets that make sense, building on its success as a disruptor in the industry.
- **M&A and strategic alliances:** We continue to actively explore EPS accretive acquisitions, primarily focused on opportunities in Asia that provide market entry to new territories, align with our culture as well as deliver step changes in both revenue and profit.
- **Continued technology modernisation and business simplification:** We are committed to leveraging technology to enhance operational efficiency through increased automation. This includes a greater assimilation of AI into business operations in a considered and low-risk way. Further, our implementation of new technologies can compound these benefits by delivering operating efficiencies, improved platform agility and placing superior tools in the hands of our people that will streamline the way we work and engage our clients.

On behalf of the Board, we would like to thank our whole team of more than 370 employees for their contributions this year. We are fortunate to work with a leadership team that is focused on executing our strategy. Our continued success could not have been achieved without the hard work of all our people, who have shown tremendous energy and creativity to deliver the best possible outcomes for our clients continuing to build a Group with brands that endure.

We would like to acknowledge the contribution of our shareholders, many of whom are our people, and the many investors who have been with us since our listing. Your trust and support have been instrumental in QANTM's success.

Our financial discipline, investment in innovation and ongoing development of our people are what enabled us to achieve our strong performance this year. We hope that shareholders gain an appreciation of these important activities that will drive our future prospects and position us to grow and prosper. We look forward to another promising year ahead.



**Sonia Petering**  
Chair



**Craig Dower**  
CEO and Managing Director

"We would like to acknowledge the contribution of our shareholders, many of whom are our people, and the many investors who have been with us since our listing. Your trust and support have been instrumental in QANTM's success."



# 2023 Key Business Overview

## Davies Collison Cave (DCC) – a leading attorney practice servicing the Asia Pacific Region

With a history spanning over 140 years, DCC has grown into one of the largest, most respected IP firms. With offices in Australia, New Zealand, Singapore, Hong Kong and Malaysia and extensive filing capabilities across numerous regional countries, DCC helps clients with IP creation, protection, and enforcement, along with providing expert counsel on corporate and commercial law matters.

DCC is committed to engaging with its clients to obtain an understanding of each client's strategic IP requirements in the context of that client's business, and provide advice aligned to each client's broader IP and commercial objectives.

DCC's expertise includes patents, trademarks, domain names, plant rights, registered designs, and trade secrets, spanning various industries and serving a global clientele, including some of the world's most respected companies.

The trade mark group comprises highly experienced attorneys recognised as thought leaders in the field, delivering commercially relevant and pragmatic advice to a wide range of clients, from startups to global brands.

DCC continues to expand its services into intellectual asset governance consulting, further enhancing its commitment to delivering top-tier intellectual property solutions.



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## Promotions across DCC and DCC Law in 2023

(Ten females were promoted representing  
63% of promotions across DCC and DDL)

- 1 Practitioner elevated to Principal
- 6 Practitioners elevated to Associate Principal
- 1 Practitioner elevated to Managing Associate
- 2 Practitioners elevated to Senior Associate
- 6 Practitioners elevated to Associate

# DCC and DCC Law Industry Awards 2023

- 100+ individual industry awards received in FY2023 across DCC and DCC Law
- Eleven IP Practitioners recognised as WIPR Leaders for 2023
- Twelve IP Practitioners recognised as IP Stars in the 2023 edition of Managing Intellectual Property (MIP)
- Awarded Trade Mark (Patent and Trade Mark) Attorney Firm of the Year for Australia by Managing IP (MIP) Asia Pacific Awards.
- Individual award for Australian Practitioner of the Year (Patent & Trade Mark Attorney Firms) Award for Australia by Managing IP (MIP) Asia Pacific
- Individual award for MIP's Top 250 Women in IP
- Ranked highly across 9 renowned industry awards, including Best Lawyers Law Firm of the Year Honouree– Intellectual Property Law Australia
- Ranked Tier 1 for patent disputes, patent prosecution and trade marks (patent and trade mark attorney firms) in Australia as well as being recognised in Singapore and Malaysia by IP Stars
- Recognised by IAM Patent 1000 in Australia, New Zealand, Singapore, Hong Kong and Malaysia with the firm recognised as Gold tier for Patent Prosecution, Silver tier for Patent Litigation and Recommended for Transactions in Australia.



## Davies Collison Cave Law (DCC Law) – a leading IP Law Firm

DCC Law is Australia's leading specialist intellectual property law firm, and provides a complete range of IP related services, as well as commercial legal services.

DCC Law specialises in strategic analysis, protection, enforcement and licensing of all aspects of IP, as well as providing an extensive commercial law offering.





## 2023 Key Business Overview (continued)

### FPA Patent Attorneys (FPA) – one of the leading and most innovative patent firms in Australia, New Zealand and Singapore

With a team of more than 30 patent professionals, FPA consistently demonstrates its proven expertise and experience necessary for the delivery of a diverse and complex range of intellectual property services, including those necessary for innovative and disruptive technologies.

Internationally, FPA has a diverse client base, including multinational corporations. Domestically, as recognition of its expertise, FPA acts for a range of organisations from start-ups through to major Australian universities seeking to secure protection for their research. As a top tier firm with offices in Australia and South East Asia,

FPA specialises in understanding innovative global industries and the burgeoning and increasingly important South East Asian patent market.

FPA is committed to excellence in everything it does. This is manifested in its premium client base which includes the world's leading brands and technologies across multiple industries.



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### Promotions at FPA in 2023

1 Elevation to  
Associate Principal

1 Elevation Senior  
Associate

1 Elevation  
Associate

## FPA Industry Awards 2023

- 100% of FPA Principals recognised by IAM in Patent 1000 as leading patent professionals (2023)
- Gold Tier 1 ranking for Patent Prosecution in the IAM Patent 1000 (2023)
- Ranked Tier 1 for Patent Prosecution by Managing IP (2023)
- Best Medical Device IP Law Firm – Australia, Healthcare and Pharmaceutical Awards, 2023
- Best Specialist Patent Law Firm – Melbourne, APAC Insider, 2023
- IP Law Firm of the Year, Corporate LiveWire Innovation & Excellence Awards, 2023
- Pharmaceutical Patent Attorneys of the Year in Australia, Lawyer International's – Legal 100, 2023
- Best Investor Advisory & Legal Services Firm – Victoria, Australian Enterprise Awards, 2023
- Pharmaceutical Patent Attorneys of the Year in Australia, Corporate INTL Global Awards, 2019-2023
- Pharmaceutical Patent Attorneys of the Year in Australia, Global Law Experts Annual Awards, 2022-2023
- Pharmaceutical Patent Attorneys of the Year – Australia, Global 100, 2022-2023



**Sortify.tm Limited (Sortify) – developer and provider of AI-powered IP systems for attorneys and leading online trade mark registration platforms.**

Sortify is a New Zealand-headquartered trade mark legal technology company that provides technology solutions incorporating artificial intelligence and automation to assist with the filing of trade marks and management of trade mark portfolios. Sortify and its subsidiary Trademark Planet Ltd operate automated trade mark filing platforms (primarily under the Trademarks Online brand) in Australia, New Zealand, Malaysia, Singapore, Hong Kong, the United Kingdom and Benelux<sup>1</sup>.

In addition to its online trade mark filing portals, the Sortify team developed the Sortify Attorney

SaaS solution – an AI-based trade mark productivity software suite, enabling trade mark lawyers and their teams to improve across all stages of the trade mark process – pre-filing, filing, examination and registration.

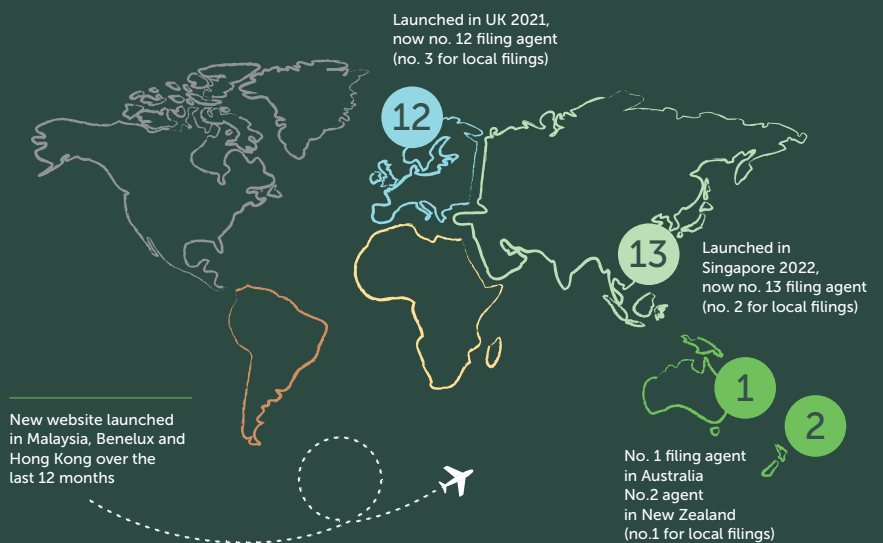
Founded by trade mark lawyers who combine domain expertise with a drive to shape the trade mark industry, Sortify is focused on empowering brand owners, trade mark lawyers and trade mark registries with first in category innovative solutions.

Sortify's fully automated online trade mark registration platforms enable businesses to protect their brands themselves:



<sup>1</sup> A collective name for Belgium, the Netherlands and Luxembourg, especially with reference to their economic union.

**Since 2018, Sortify has built online trade mark filing platform that now span Australasia, South East Asia and Europe**



# People & Culture

Throughout FY23, we have maintained our commitment to our people and culture strategy, streamlining and automating our talent acquisition and staff engagement initiatives.

## Actions aligned to Our Values

As part of the Group's business simplification and optimisation strategy, we have commenced aligning the values from across the Group, while incrementally standardising the adoption of policies and benefits. This approach creates greater consistency across the Group, as well as boosting the combined benefits and opportunities on offer.



### Collegiality/ Respect

#### Listening to our people

To improve, measure and understand employee engagement, we continue to implement engagement and pulse surveys aimed at enhancing the employee experience.

#### Collaborative workspaces

We are well progressed in reshaping and redesigning our ways of working to maximise our interactions and output. New offices for DCC and FPA have been designed to support hybrid working and optimise collaboration while reducing overall footprint. At Sortify, there has been a commitment to a 'virtual-first' approach to working.

#### Technology modernisation and business simplification

Our technology modernisation program has delivered cloud connectivity to facilitate Work From Anywhere, upgraded our systems and tools, empowering our workforce to complete tasks with increased efficiency, and successfully transitioned us to a fully paperless office.



### Care/ Empathy

#### Diversity, equity and inclusion

Embracing diverse perspectives fosters creativity and innovation, enhances problem-solving capabilities, and provides deeper insights into our clients' needs. We are proud to have received recognition as an inclusive employer, and we are committed to delivering services to clients through diverse client teams.

#### Community-minded

Our employees have the opportunity to contribute to their preferred charity with one day of paid volunteer leave. FPA supports Beyond Blue and RSPCA, while DCC act for the Royal Guide Dogs Australia, with our employees actively participating on professional boards for non-profit organisations.



## Integrity/ Courage

### Well-being

Key to sustaining a high-performance culture is the cultivation of a healthy environment for our people where they can thrive and undertake meaningful work. The well-being of our people is a catalyst for delivering sustained, optimal quality work and service to our clients.

### Mental health support

Our mental health first aid accreditation program provides training to employees enabling them to support colleagues and assist them to seek assistance when needed.

### AusLSA membership

Both FPA and DCC are long-standing members of The Australian Legal Sector Alliance (AusLSA ). AusLSA is an industry-led association promoting best practice sustainability frameworks for sustainable and inclusive workplaces, community support, environmental conservation and responsible governance. Our reporting with AusLSA provides a framework for our plans for sustainability reporting in the coming years.



## Commitment/ Engagement

### Culture of excellence

We continue to invest in professional development, bespoke leadership programs and high quality training to nurture our talent, creating a culture of personal growth. Most recently, this includes business development training and management training for our people leaders.

### Trust and experience

Every one of our Principals has been in the IP industry for a significant period of time, bringing a wealth of experience that is trusted by our clients. 55% of people have been employed by the Group for five years or longer.

### 100:90:100 - Compressed Working Fortnight

As we continue to adjust to the new normal post-pandemic and continue to work flexibly, we continue to innovate how, where and when we work. One initiative we are excited about is the Compressed Working Fortnight which has been successfully trialled at FPA.

Employees can take one full day off or two half days off per fortnight, offset by choosing to work small amounts of overtime during that same fortnight block.

This benefit is available to all full time employees, on an "opt in" basis as we appreciate this flexible working arrangement does not work for everyone.

# Board of Directors

Five directors currently serve on the QANTM Board, four are non-executive directors and one is an executive director (the Chief Executive Officer and Managing Director). Detailed biographies, of each person holding the position of director at the date of this Annual Report are set out on pages 28 to 30 of the Directors' Report.



**Sonia Petering**

*LLB, B.Com, FAICD*

**Non-Executive Chair  
Member of the ARCC  
Member of the PRCC**

Sonia is an experienced Board chair and non-executive director with listed and unlisted companies and government authorities across various sectors covering B2B and B2C transactional models in disrupters and established businesses in the areas of financial services, payments, insurance, professional services agribusiness and healthcare.

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

Sonia is Chair of Vitrafy Life Sciences and a Non-Executive Director of TAL Australia.

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

Sonia holds a Bachelor of Laws and Bachelor of Commerce from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors and a member of Chief Executive Women.





### Craig Dower

FAICD, FAIM, MACS

#### Chief Executive Officer and Managing Director

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.

Craig has served on a number of boards both as an executive and non-executive director.

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.



### Leon Allen

BSc (Hons), Patent Attorney, MAICD

#### Non-Executive Director Member of the ARCC Member of the PRCC

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, a Senior Fellow of the University of Melbourne, and a Distinguished Fellow of the Institute of Patent and Trade Marks Attorneys of Australia.



### Kathy Gramp

BA (Acc), CA, FAICA, FAICD

#### Non-Executive Director Chair of the ARCC

Kathy commenced her career in professional services as a chartered accountant, before moving into in-house executive roles, with her principal executive roles at Southern Cross Austereo involving a diverse range of responsibilities including serving as Chief Financial Officer and as Company Secretary, and accountability for acquisitions and integration, capital investment, major IT projects, risk and change management and corporate governance.

Kathy is a Non-Executive Director of Codan Ltd.

Kathy holds a Bachelor of Accounting degree, is a Member of Chief Executive Women, and is a Fellow of the Institute of Chartered Accountants Australia and New Zealand, and of the Australian Institute of Directors.



### Gavin Bell

LLB, MBA (Exec) Non-Executive Director

#### Chair of the PRCC

Gavin is an experienced director, CEO and lawyer.

Gavin is currently a Director of IVE Group Limited (ASX:IGL) and Smartgroup Corporation Limited (ASX:SIQ), and has served as Managing Partner and CEO of Freehills and as CEO of global law firm Herbert Smith Freehills.

Gavin holds a Bachelor of Laws from the University of Sydney and a Master of Business Administration (Executive) from the Australian Graduate School of Management (UNSW).

**"The Board is committed to maximising performance, generating appropriate levels of shareholder value and financial returns, and sustaining the growth and success of QANTM."**



# Group Executive Team

The QANTM Executive Team is comprised of eight executives.



**Craig Dower**  
*FAICD, FAIM, MACS*  
**CEO and Managing Director**  
QANTM  
**Location**  
Melbourne, Sydney  
**Commenced**  
2020



**Michael Wolnizer**  
*LLB (Hons), LLM*  
*Lawyer, Trade Marks Attorney*  
**Group Managing Principal**  
Davies Collison Cave  
**Location**  
Melbourne  
**Commenced**  
1994



**Claire Foggo**  
*BA, LLB*  
**CEO, Cofounder**  
Sortify.tm  
**Location**  
Auckland  
**Commenced**  
2018



**John Dower**  
*BSc (Elec Eng), BProc Patent Attorney*  
**Managing Principal**  
FPA Patent Attorneys  
**Location**  
Sydney  
**Commenced**  
2001



**Brenton Lockhart**  
*BBUsCom, CA, GAICD*  
**Chief Financial Officer**  
QANTM  
**Location**  
Melbourne  
**Commenced**  
2018



**Krista Stewart**  
*BA/LLB (Hons), GAICD*  
**General Counsel & Company Secretary**  
QANTM  
**Location**  
Melbourne  
**Commenced**  
2022



**David Webber**  
*BE (Hons), LLB*  
**Managing Principal Patents**  
Davies Collison Cave  
**Location**  
Melbourne  
**Commenced**  
1985



**Paul McIntosh**  
*BSc Pharm (Hons, Class 1), Phd*  
**Director of Program Delivery**  
QANTM  
**Location**  
Brisbane  
**Commenced**  
2021



# Financial Report

For the Year Ended 30 June 2023

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# Directors' Report

## for the year ended 30 June 2023

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 2023 (FY23). 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 the following 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**); and
- DCC Hong Kong Ltd - an incorporated patent and trade marks attorney business that commenced operations in Hong Kong in August 2022 (**DCC Hong Kong**); and
- DCC Advanz Malaysia Sdn Bhd – a specialist IP advisory company operating in Malaysia (**DCC Advanz**).

**FPA Patent Attorneys**, including:

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

**Sortify.tm Ltd** - a New Zealand-headquartered trade mark legal technology company that provides technology solutions incorporating artificial intelligence and automation to assist with the filing of trade marks and management of trade mark portfolios. Sortify.tm Ltd and its subsidiary Trademark Planet Ltd operate automated trade mark filing platforms (primarily under the **Trademarks Online** brand) in Australia, New Zealand, Malaysia, Singapore, Hong Kong, the United Kingdom and Benelux.

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. Sortify.tm provides AI-powered technology solutions, including online trade mark registration platforms in Australia, New Zealand, Malaysia, Singapore, Hong Kong and the United Kingdom, and productivity tools for trade marks attorneys and lawyers.

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 the below 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 applications made pursuant to the international Patent Cooperation Treaty (PCT). Similarly, QANTM businesses will engage a Foreign Associate to act on behalf of their local clients that wish 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 businesses.

As at 30 June 2023, the QANTM Group had a total of 370 employees.

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## 1. General information

### 1.1. Directors

The names of the Directors in office at any time during, or since the end of, FY23 are:

Names	Position
Ms Sonia Petering	Non-Executive Chair (appointed as Non-Executive Director with effect from 9 June 2016 and Chair of the Board with effect from 24 May 2022)
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)
Mr Gavin Bell	Non-Executive Director (appointed 1 March 2022)
Ms Kathy Gramp	Non-Executive Director (appointed 11 May 2022)

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## Directors' Report (continued)

### 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.

<b>Ms Sonia Petering</b>	Independent Non-Executive Chair (appointed as Chair effective 24 May 2022)
<b>Qualifications</b>	LLB, B.Com, FAICD
<b>Experience</b>	<p>Sonia is an experienced Board chair and non-executive director with listed and unlisted companies and government authorities across various sectors covering B2B and B2C transactional models in disrupters and established businesses in the areas of financial services, payments, insurance, professional services agribusiness 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. Sonia is Chair of Vitrafy Life Sciences and a Non-Executive Director of TAL Australia.</p> <p>Sonia previously served as a Non-Executive Director on the boards of Virtus Health Ltd, Cuscal, 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 and a member of Chief Executive Women.</p>
<b>Interest in shares and options</b>	45,044 shares
<b>Special responsibilities</b>	Member of the People, Remuneration and Culture Committee and the Audit, Risk and Compliance Committee
<b>Other current listed directorships</b>	None
<b>Former directorships of listed entities (last 3 years)</b>	Non-Executive Director of Virtus Health Limited (ASX:VRT) (retired 1 July 2022)
<b>Mr Craig Dower</b>	Chief Executive Officer and Managing Director (served as Chief Executive Officer with effect from 13 January 2020, and also appointed as Managing Director with effect from 1 July 2020)
<b>Qualifications</b>	FAIM, FAICD, MACS
<b>Experience</b>	<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. 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>
<b>Interest in shares and options</b>	Holds 147,525 shares. Holds 1,067,699 performance rights, each of which may be eligible to vest as 1 ordinary share, subject to satisfaction of vesting conditions described in the Remuneration Report (see section 8 of this report).
<b>Special responsibilities</b>	Chief Executive Officer and Managing Director
<b>Other current listed directorships</b>	None



## 1. General information (continued)

### 1.2 Information on directors (continued)

<b>Mr Leon Allen</b>	Non-Executive Director (appointed with effect from 1 July 2020) (formerly Managing Director and Chief Executive Officer – retired with effect from 13 January 2020)
<b>Qualifications</b>	BSc (Hons), Patent Attorney, MAICD
<b>Experience</b>	<p>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.</p> <p>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.</p> <p>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, and a Distinguished Fellow of the Institute of Patent and Trade Marks Attorneys of Australia.</p>
<b>Interest in shares and options</b>	2,037,227 shares
<b>Special responsibilities</b>	Member of the Audit, Risk and Compliance Committee and the People, Remuneration and Culture Committee
<b>Other current listed directorships</b>	None
<b>Former directorships of listed entities (last 3 years)</b>	None
<b>Mr Gavin Bell</b>	Non-Executive Director (appointed 1 March 2022)
<b>Qualifications</b>	LLB, MBA (Exec)
<b>Experience</b>	<p>Gavin was appointed an independent Non-Executive Director on 1 March 2022.</p> <p>Gavin is an experienced director, CEO and lawyer. Gavin is currently a Director of IVE Group Limited (ASX:IGL) and Smartgroup Corporation Limited (ASX:SIQ), and has served as Managing Partner and CEO of Freehills and as CEO of global law firm Herbert Smith Freehills.</p> <p>Gavin holds a Bachelor of Laws from the University of Sydney and a Master of Business Administration (Executive) from the Australian Graduate School of Management (UNSW).</p>
<b>Interest in shares and options</b>	25,641 shares
<b>Special responsibilities</b>	Chair of the People, Remuneration and Culture Committee (from 29 March 2022)
<b>Other current listed directorships</b>	Non-Executive Director of IVE Group Limited (ASX: IGL) Smartgroup Corporation Limited (ASX: SIQ)
<b>Former directorships of listed entities (last 3 years)</b>	None

## Directors' Report (continued)

### 1. General information (continued)

#### 1.2 Information on directors (continued)

<b>Ms Kathy Gramp</b>	Non-Executive Director (appointed 11 May 2022)
<b>Qualifications</b>	BA(Acc), CA, FAICA, FAICD
<b>Experience</b>	<p>Kathy was appointed an independent Non-Executive Director on 11 May 2022. Kathy commenced her career in professional services as a chartered accountant, before moving into in-house executive roles, with her principal executive roles at Southern Cross Austereo involving a diverse range of responsibilities including serving as Chief Financial Officer and as Company Secretary, and accountability for acquisitions and integration, capital investment, major IT projects, risk and change management and corporate governance.</p> <p>Kathy holds a Bachelor of Accounting degree, is a Member of Chief Executive Women, and is a Fellow of the Institute of Chartered Accountants Australia and New Zealand, and of the Australian Institute of Directors.</p>
<b>Interest in shares and options</b>	Nil
<b>Special responsibilities</b>	Chair of the Audit, Risk and Compliance Committee (from 24 May 2022)
<b>Other current listed directorships</b>	Non-Executive Director of Codan Ltd (ASX: CDA)
<b>Former directorships of listed entities (last 3 years)</b>	Non-Executive Director of Unifi Group Ltd (ASX: UWL) (retired effective 4 August 2022)

#### COMPANY SECRETARY

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

**Krista Stewart**  
BA, LLB (Hons), GAICD

##### General Counsel and Company Secretary

Krista joined QANTM as General Counsel and Company Secretary in October 2022. Krista is a senior lawyer with more than 20 years of commercial legal experience in global, cross-border transactions and regulatory engagements in the mining and manufacturing industries. More recently, Krista was General Counsel Corporate at Orica Limited, where she also held the role of Head of Mergers and Acquisition.

Krista has more than 15 years' experience working in Asia advising a number of ASX 100 companies, and with top tier private practice firm, Allens Arthur Robinson.

## 2. Meetings of Directors

The number of meetings of QANTM's Board of Directors (the Board) held during FY23, 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
Ms Sonia Petering	18	18	4	4	5	5
Mr Craig Dower	18	18	N/A	N/A	N/A	N/A
Mr Leon Allen	15	18	3	4	3	5
Mr Gavin Bell	18	18	N/A	N/A	5	5
Ms Kathy Gramp	18	18	4	4	N/A	N/A

## 3. Principal activities

QANTM is the owner of a group of leading IP services businesses operating under respected brands including DCC, FPA and Sortify.

The QANTM Group's principal operations during FY23 were in Australia, New Zealand, Singapore, Malaysia and Hong Kong. In Australia, DCC and FPA serviced both local and international clients in relation to their Australian IP rights, and DCC Law provided 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. DCC Advanz, integrated into the DCC business in FY23, provides IP services for Malaysian clients as well as regional and other international clients. DCC also commenced operations in Hong Kong in August 2022.

Cotters' employees and business operations were integrated into DCC (trade marks) and FPA (patents) with effect from 1 July 2022. Cotters provided services to some clients on pre-existing matters during FY23.

In September 2021, QANTM acquired Sortify.tn Ltd, an incorporated trade mark registration and automation business operating in Australia, New Zealand and the United Kingdom operating under the brands *Trademarks Online*, *Trademark Planet* and *DIY Trademarks*. The business operates primarily in Australia, New Zealand and the United Kingdom, and has more recently commenced operations in Asia with the launch of *Trademarks Online* in Singapore in June 2022, *Trademarks Malaysia* in Malaysia in August 2022 and *Trademarks Online* in Benelux and Hong Kong.

## Directors' Report (continued)

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

The following provides commentary on the Group's FY23 results:

The Group's total revenue for FY23 was higher at \$137.0 million, compared with \$127.3 million for the 12-month period ended 30 June 2022 (FY22). Net revenue, after other income and recoverable expenses from associate charges, was \$108.3 million compared with \$101.2 million for FY22.

The Group's total operating expenses (excluding recoverable expenses) were \$84.9 million in FY23, compared with \$79.6 million in FY22. Included in the expenses is increased business development of \$0.9m, increased technology investment of \$0.9m, a balance sheet related foreign exchange loss of \$0.6 million and an impairment loss recognised on the Sortify CGU of \$0.5 million. Underlying total operating expenses were \$79.9 million, compared with \$74.9 million in FY22.

Consolidated EBITDA was higher at \$23.4 million compared with \$21.6 million EBITDA for FY22. Underlying EBITDA was higher in FY23 at \$28.5m (FY22: \$26.3m).

The Group's net profit after tax (NPAT) was \$7.9 million, compared with \$7.1 million in FY22. Underlying NPAT was \$14.7 million, compared with underlying NPAT in FY22 of \$12.8 million (refer to the table in section 5 for a reconciliation from statutory NPAT to underlying NPAT).

Net debt as at 30 June 2023 was \$24.2 million, compared with \$23.8 million as at 30 June 2022. Gearing (net debt/net debt + book equity) at 30 June 2023 was 25.1% (30 June 2022: 24.8%).

In line with the Company's dividend payment policy, Directors determined a total FY23 dividend payment of 6.3 cents per share, fully franked, made up of an interim dividend of 2.8 cents per share and a final dividend of 3.5 cents per share. The FY22 dividend payment was 6.5 cents, made up of an interim dividend of 3.0 cents and a final dividend of 3.5 cents, fully franked.

Principal operational and business activities during the year included:

- QANTM business entities and teams performed well, with all staff working effectively in hybrid home/office arrangements: continuing progress made on re-shaping our office layouts, with reduced space, more collaboration areas, greater flexibility and reduced costs.
- Completion of several technology modernisation and business simplification milestones: the migration of our core production systems to Microsoft Azure with a new generation network infrastructure in support of this, upgrade of our core IP platform at one of our firms with the other to be completed in early FY24, and delivery of productivity gains through a tighter focus on KPIs and business performance.
- Continued investment in client engagement and collaboration: a focus on targeted business development activities, attendance at key industry events, and a continued focus on excellence in client service delivery.
- Further expansion of the Sortify platform into Singapore and Malaysia, with other locations planned in early FY24. Sortify is now the #1 filer of trade mark applications in Australia, #2 in New Zealand, and is building strong momentum in the UK, which is a very large market for trade marks.
- Continued exploration of growth and scale initiatives through M&A, strategic alliances and organic growth, with a primary focus on earnings accretive opportunities in Asia, plus the establishment of a DCC presence in Hong Kong.

<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.

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## 4. Operational and financial review (continued)

### 4.1. Business conditions

Patents has continued strong growth period-on-period:

- The patent service offering of DCC, FPA and AFIP (now part of DCC Asia) recorded steady performance, with combined service charge revenue increasing by 7.6%. Patents contributed 67.4% of Group service charge revenue.
- Overall Group patent applications grew 0.9%, with new Australian patent application filings increasing by 0.8%, in the context of an overall Australian patent market decrease of 7%.
- Australian patent application market share increased to 16.5% compared with 15.0% in FY22 in a period when the Australian market declined by 7%. Market share can be volatile period to period.
- Group patent application filings in Asia increased by 0.4%. Asia represents 16% of total Group patent applications.
- Rest of World patent applications (24% of the Group total) increased by 0.7% off historical highs.

Trade marks recorded very strong growth of 8.3% in service charges (20.7% of the Group total):

- Trade mark applications for the Group increased by 8%, reflecting the full year addition of Sortify and its continued growth.
- Australian trade mark applications (57% of the Group total) increased by 6.5%.
- New Zealand applications (16% of the Group total) increased 9.1%, through the full year addition of Sortify.
- Asian applications (6% of the Group total) increased 18% driven by the entry of Sortify into the Singapore and Malaysian markets.

Sortify now holds the #1 market position in Australia and the #2 market position in New Zealand and is approaching the top 10 in the UK. DCC is #2 in Australia and the #4 market position in New Zealand.

Legal and litigation services revenue contribution (11.9% of the Group total) was 5.7% higher due to a strong caseload.



## Directors' Report (continued)

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

#### 4.2. Financial results – Key elements

The main features of the FY23 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 FY23 are adjusted for various items, with a net total of \$5.1 million (FY22: \$4.7 million). These items are not considered recurring or representative of the standard day to day operations of the Group. These included SaaS costs, business acquisition costs, impairment loss and one-off restructuring costs. Refer to section 5 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 \$137.0 million (FY22: \$127.3 million).

Total net revenue of \$108.3 million (FY22: \$101.2 million) is after recoverable expenses from associate charges of \$31.1 million (FY22: \$30.7 million).

Services charges increased by 7.4% to \$103.8 million (FY22: \$96.6 million), comprising the following main components:

- Patent services charges (67.4% of total QANTM services charges) of \$69.9 million (FY22: \$65.0 million);
- Trade mark services charges (20.7% of QANTM's services charges) of \$21.5 million (FY22: \$19.8 million);
- Legal revenue (11.9% of QANTM's total) of \$12.4 million (FY22: \$11.7 million).

##### Expenses

Total underlying operating expenses were \$79.9 million, a \$5.0 million or 6.7% increase from the prior comparative period (FY22: \$74.9 million). Higher underlying expenditure related to a \$0.9 million increase in the expected credit loss allowance on the back of adjusted judgement and estimates considering the current economic environment. In addition, there was a \$0.9 million increase in technology expenses associated with increased investment in cloud hosting and cyber security. Lastly, business development costs increased by \$1.2 million (but remained below pre-COVID levels) and a balance sheet related foreign exchange loss of \$0.6 million.

#### 4.3. EBITDA and EBITDA margin

Statutory EBITDA was \$23.4 million (FY22: \$21.6 million), including a balance sheet related foreign exchange loss of \$0.6m. EBITDA margin (on service charges) was 22.5% (FY22: 22.3%).

Underlying EBITDA was \$28.45million (FY22: \$26.3 million). The \$2.2 million increase in EBITDA from the prior comparative period is in the context of strong growth of \$7.1 million in net revenue, offset largely due to increased investment in technology of \$0.9 million, business development costs of \$0.9 million, a balance sheet related foreign exchange loss of \$0.6 million and an increase in the expected credit loss allowance of \$0.9 million.

The underlying EBITDA margin (on service charges) was 27.4% (FY21: 27.2%).

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## 4. Operational and financial review (continued)

### 4.4. Depreciation and amortisation

Depreciation and amortisation in FY23 was \$7.8 million compared with \$8.2 million in FY22. The decrease was mainly due to decreased leasing costs during the year.

### 4.5. Net profit after tax (NPAT)

Statutory net profit after tax was \$7.9 million (FY22: \$7.1 million), an 11.3% increase. Earnings per share was 5.69 cents (FY22: 5.32 cents).

Underlying net profit after tax was \$14.7 million (FY22: \$12.8 million), a 14.5% increase. Refer to section 5 for a reconciliation from statutory to underlying NPAT.

### 4.6. Finance costs and net debt

Finance charges in FY23 were \$3.6 million. The Company held total bank facilities of \$68 million and had \$32.2 million drawn as at 30 June 2023 with \$8.0 million cash on hand. As at 30 June 2023 the Company had net debt of \$24.2 million. 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 \$16.3 million (FY22: \$16.0 million), with a net increase of \$0.6 million after investing and financing activities.

### 4.8. Net assets

The net assets of the Group have increased by \$0.4 million, from \$71.9 million at 30 June 2022 to \$72.3 million at 30 June 2023. Trade receivables increased \$3.1 million and trade payables increased \$1.6 million both due to increased business activity in the latter part of the financial year. Net debt increased by \$0.4 million.

## Directors' Report (continued)

### 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-23 \$'000	30-Jun-22 \$'000
<b>Statutory NPAT</b>	<b>7,857</b>	<b>7,142</b>
add: interest	3,598	2,359
add: depreciation and amortisation	7,784	8,202
add: tax	4,157	3,875
<b>EBITDA – QANTM Group</b>	<b>23,396</b>	<b>21,578</b>
add: retention/restructuring payments	1,456	387
add: SaaS expenses	2,951	3,237
add: Impairment	500	-
add: business acquisition costs	147	1,104
<b>Underlying EBITDA – QANTM Group</b>	<b>28,450</b>	<b>26,306</b>
less: depreciation and amortisation	(4,502)	(5,832)
less: interest	(3,598)	(2,359)
less: tax	(5,673)	(5,293)
<b>Underlying NPAT - QANTM Group</b>	<b>14,677</b>	<b>12,822</b>

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

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## 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 the following main brands - Davies Collison Cave ('DCC'), FPA Patent Attorneys ('FPA'), Cotters Patent and Trade Mark Attorneys ('Cotters'), Malaysian company, Advanz Fidelis IP Sdn Bhd ('Advanz').

In FY22 QANTM also acquired Sortify.tm Ltd, which operates automated trade mark filing platforms in Australia in Singapore (under the brand *Trademarks Online*), New Zealand (*DIY Trademarks*), the United Kingdom (*Trademark Planet*), and Malaysia (*Trademarks Malaysia*), as well as developing and licensing automation tools for trade mark lawyers and attorneys.

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 (i.e. a people-based business, rather than an emphasis on plant and equipment);
- associated strong cash flow conversion, enabling the payment of dividends and/or re-investment in opportunities for growth;
- limited key client exposure, with no clients being more than 1% - 2% of revenue in any given year;
- 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.

## Directors' Report (continued)

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

#### 6.2. Strategy and priorities

QANTM's strategic focus is based on: attracting and retaining high quality IP industry professionals; delivering revenue growth and client retention through offering consistently superior IP services; growing market share through targeted business development activities; improving productivity, business process and client service delivery through technology modernisation and business simplification; and, where appropriate, expanding our footprint and capability through targeted and EPS accretive merger and acquisition opportunities. 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, new client wins, prosecution and advisory services, and patent and trade mark renewals;
- provision of patent litigation and other related services to both domestic and international clients, with business generated from QANTM's entities as well as outside clients;
- development and expansion of capabilities in Asia, which has included the acquisition of Advanz Fidelis in Malaysia, establishing a Singapore office presence for both DCC and FPA, establishing DCC Hong Kong in August 2022, launch by Sortify.tm Ltd of automated trade mark filing platforms in Singapore and Malaysia, 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;
- business process simplification and technology modernisation, including the migration of key systems and infrastructure to the Cloud; building of future capabilities (AI, data / analytics);
- client engagement and collaboration through implementation of client engagement and client account planning methodologies, as well as continuously improving client service delivery; and
- advancement of growth and scale initiatives through expansion of the Group's footprint with a focus on Asia; establishing sales desks in key locations; pursuit of adjacent service lines and technology-related plays (such as Sortify); 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. DCC and FPA are both "high-touch" businesses, with a focus on excellence in client service delivery. This is not easy to replicate, and the majority of client relationships are very long term in tenure.



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

### 6.3. Business Sustainability Risks (continued)

#### 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.

#### 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. We continue to grow our strong and engaging company culture to create a sense of belonging. 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. Further 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, 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.

## Directors' Report (continued)

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

#### 6.3. Business Sustainability Risks (continued)

##### 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.

QANTM is making a significant investment in improved IT systems and all aspects of cyber security (people, processes, systems). Both the Board and Group Executive are actively embedding cyber preparedness in the risk culture throughout the business – it is no longer just within the realms of the IT team (although they continue to play a critical support role). QANTM will continue to invest in this area, as appropriate, given the increased levels of cyber activity in the Australian and international landscape.

##### 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 commenced operations in Hong Kong in August 2022, and is exposed to adverse changes in the competitive environment in those markets, and to risks associated with regulatory approaches and changes in 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.

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 the state of affairs

There were no other significant changes in the state of affairs of the Group during FY23.

## 8. Remuneration Report (Audited)

### LETTER FROM THE CHAIR OF THE PEOPLE REMUNERATION AND CULTURE COMMITTEE (PRCC)

Dear shareholders, on behalf of the Board, I am delighted to present the FY23 Remuneration Report. We seek your approval of the report at our Annual General Meeting to be held on 24 November 2023.

In FY23, QANTM's remuneration framework remained largely the same as FY22. The remuneration framework is structured so that:

- It achieves an appropriate balance between a fixed component and a performance-based component (comprising a combination of short and long term incentives), so that a significant part of the Executive KMP's remuneration is at risk;
- An Executive's Short Term Incentive (STI) is conditional on achieving certain Group financial and non-financial targets;
- Any STI award will only be considered provided the risk, compliance and conduct gateway to the granting of STI award is met ensuring consistency with the Group's values;
- The Long Term Incentive (LTI) plan is focussed on QANTM's long term financial growth and to provide alignment between Executive and Shareholder experience.

Whilst recognising that the share price is not at a level which we would like, QANTM had a good year on most other financial measures and there were several other significant achievements particularly on the technology and client fronts, including several new client wins and continued growth in market share. Several of the targets for the STI were met and the average percentage payout to the CEO and CFO was 52%.

The relevant three year performance period for the LTI performance rights, which were issued to certain Executives at the beginning of FY21, ended on 30 June 2023. The relevant performance hurdles for the vesting of those rights, convertible into ordinary shares, include a requirement for continued employment, and a hurdle which focusses on achievement of a 3-year CAGR in EPS. The EPS performance hurdle was not met and, accordingly, these rights did not vest. Pleasingly, we did see a material uplift in EPS during FY23.

The PRCC reviews remuneration arrangements for each KMP each year to ensure they continue to achieve the objectives of the remuneration framework. This year the Board has confirmed the following:

- As advised in last year's remuneration report, from 1 July 2022 Mr Dower's fixed remuneration increased to \$700,000 per annum. There were no further changes to Mr Dower's arrangements during FY23 and no changes are proposed for FY24.
- Mr Lockhart's base pay moved to \$340,000 when he moved to the CFO role on 1 June 2022. Mr Lockhart has done an excellent job in the role, and his base pay increased to \$400,000 from 1 July 2023.
- On 25 May 2023, the Board approved a Non-Executive Director Fee Sacrifice Plan. This allows Directors to sacrifice some of their fees to receive the same value in shares. The aim of the Plan is to increase Directors' shareholdings in Qantm and assist Directors meet the minimum shareholding requirement.
- Finally, Directors approved a 2.5% increase in Non-Executive Directors' fees for FY24 (this includes the 0.5% increase in the superannuation guarantee levy). Directors' fees have not increased since 2020. Total fees paid to Non-Executive Directors is still well within the Director Fee Pool approved by shareholders.

Thank you for your continued support of Qantm and we look forward to your continued support during FY24.



**Gavin Bell**  
Chair People Remuneration and Culture Committee

## Directors' Report (continued)

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

The Directors present the remuneration report for the year ended 30 June 2023. 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 FY23. 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 Key Management Personnel (KMP);
- Role of the People, Remuneration and Culture Committee;
- Non-Executive Directors' Remuneration;
- Executive Remuneration Framework;
- FY23 Executive Incentive Outcomes;
- Key terms of KMP Employment Contracts;
- Relationship between remuneration outcomes and Group performance;
- Remuneration of KMP; and
- KMP equity holdings.

#### IDENTIFICATION OF THE KEY MANAGEMENT PERSONNEL (KMP)

The Directors and other KMP of the Group during, or since the end of FY23, were as set out below.

Name	Position	Commencement and cessation dates
<b>Non-Executive Directors</b>		
Ms Sonia Petering	Non-Executive Director and Chair	9 June 2016 Non-Executive Director, and Chair from 24 May 2022
Mr Leon Allen	Non-Executive Director	1 July 2020
Mr Gavin Bell	Non-Executive Director	1 March 2022
Ms Kathy Gramp	Non-Executive Director	11 May 2022
<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)
Brenton Lockhart	Chief Financial Officer (CFO)	1 June 2022

All KMP held their respective positions for the whole of the financial year as indicated in the table above.

#### ROLE OF THE PEOPLE, REMUNERATION AND CULTURE COMMITTEE (PRCC)

The PRCC operates in accordance with a charter approved by the Board. The PRCC is comprised of 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 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.

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

### NON-EXECUTIVE DIRECTORS' 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 a general meeting. There has been no change in this aggregate fee limit since QANTM's ASX listing in 2016. The total fees received by Non-Executive Directors in FY23 was \$571,200. The annual fees during FY23 were:

Chair:	\$204,000
Non-Executive Director:	\$122,400

No additional fees are paid for participation in Board Committees. Fees for Non-Executive Directors are reviewed regularly by PRCC and Board. Fees for Non-Executive Directors did not increase during FY23. The Board has approved an increase of 2.5% (including superannuation) to Non-Executive Director fees commencing on 1 July 2023.

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 superannuation, are summarised in the *Remuneration of KMP* table in this report.

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 to a value equivalent to at least one year's base fees for that Director to align the interests of Non-Executive Directors with the interests of other shareholders. The adoption of a Non-Executive Director Fee Sacrifice Plan was approved by the Board on 25 May 2023, with the first Participation period being the 12-month period beginning on 1 July 2023. Refer to the Explanatory Notes to the KMP Equity Holdings Table on page 26. Subject to any restrictions on dealing under Australian insider trading laws and 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). The required shareholding will be assessed based on the volume-weighted average price of QANTM shares in the 20 trading days after the date of commencement as a Non-Executive Director, and recalculated every third anniversary, or upon promotion to the role of Chair (and thereafter on every third anniversary of that promotion), as the case may be, with each Non-Executive Director then having three years to acquire any additional shares to ensure that they hold QANTM securities to a value equivalent to at least one year's base fees. Refer to the Explanatory Notes to the KMP Equity Holdings Table for a breakdown of figures by Non-Executive Director.

### 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 \$700,000 per annum throughout FY23, and will remain at \$700,000 per annum with effect from 1 July 2023. The total fixed remuneration of the CFO, Mr Lockhart, during FY23 was \$340,000 per annum. Mr Lockhart's total fixed remuneration has been increased to \$400,000 effective from 1 July 2023.



## Directors' Report (continued)

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

#### **Sign on Bonus for Mr Dower**

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, and 2022 Annual General Meetings (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, and the 2022 Notice of Annual General Meeting dated 31 October 2022. 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, FY22 and FY23: As previously announced to the ASX, the first tranche of those rights vested on 24 March 2021, with 59,010 QANTM shares allocated to Mr Dower. The second tranche vested on 9 May 2022, with 88,515 QANTM shares allocated to Mr Dower. The third tranche vested on 28 February 2023 with 147,525 QANTM shares allocated to Mr Dower.

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

Both Executive KMPs - Mr Dower and Mr Lockhart participated in an LTI Plan in FY23.

Mr Dower participated in an LTI Plan in FY23, with the issue of 350,000 performance rights to Mr Dower, in accordance with the terms of his Executive Service Agreement with the Company following approval by shareholders at the QANTM Annual General Meeting held on 30 November 2022. The key terms relating to the issue of these rights are as follows:

- Total value at issue of rights: \$350,000.00 with each right valued at \$1.00, being the volume weighted average price for QANTM shares traded on the ASX in the five trading days after the Shares went ex-dividend following the declaration of the final dividend for QANTM for FY22, rounded up to the nearest whole cent.
- 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 2021 to 30 June 2024 (for 285,087 Rights described as the **FY22 Rights**), and over the period from 1 July 2022 to 30 June 2025 (for 350,000 Rights described as the **FY23 Rights**) as set out in the table below:

CAGR of EPS over the relevant 3-year period	% of Rights that vest
Below 5%	Nil
5%	50%
Between 5% and 15%	Straight line pro rata vesting between 50% and 100%
At or above 15%	100%

- Rights vesting in FY23: None of these performance rights vested, or were eligible to vest, in FY23.

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

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

Mr Lockhart participated in an LTI Plan for the first time in FY23, with the Executive Service Contract related to his role as CFO entitling him to participate in an LTI Plan, with an annual value of up to 30% of his Total Fixed Remuneration. The key terms relating to the issue of these rights are as follows:

- Total value at issue of rights: \$102,000.00 with each right valued at \$1.00, being the volume weighted average price for QANTM shares traded on the ASX in the five trading days after Shares went 'ex-dividend' following the declaration of the final dividend for QANTM for FY22, rounded up to the nearest whole cent.

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 2022 to 25 June 2025 (for 102,000 Rights described as the **FY23 Rights**) as set out in the table below:

<b>CAGR of EPS over the relevant 3-year period</b>	<b>% of Rights that vest</b>
<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%

## Directors' Report (continued)

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

#### FY23 EXECUTIVE INCENTIVE OUTCOMES

##### **KMP Short Term Incentive (STI) Plan – FY23**

During FY23, Mr Dower and Mr Lockhart 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 STI 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. In order for any variable pay to be paid, an Executive must firstly meet two gates – values threshold and a financial threshold of Group financial performance. Mr Dower and Mr Lockhart will participate in an STI plan in accordance with their employment contracts with respect to FY24.

##### **STI Plan – Executive KMP FY23 Outcomes**

With respect to Mr Dower, as noted in the Remuneration Report included in the 2022 QANTM Annual Report, the Board approved an STI payment of \$81,250 (including superannuation) with respect to performance in FY22, which was paid in September 2022.

With respect to performance in FY23, the Board approved an STI payment of \$124,250 (including superannuation) to Mr Dower, representing 36% of his maximum STI opportunity. The following table provides details of the proportion of the maximum STI opportunity achieved with respect to FY23:

Maximum STI Opportunity for CEO	% of maximum opportunity achieved	% of maximum opportunity not achieved
50% of TFR	36%	64%

Mr Dower's STI payment was based on a combination of Company financial performance (50% weighting) and achievement of individual KPIs based on strategic initiatives (50% weighting). The Board determined that Mr Dower met the values and financial thresholds in FY23. Mr Dower's STI was assessed on an FX-adjusted or constant currency basis.

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

### FY23 EXECUTIVE INCENTIVE OUTCOMES (CONTINUED)

#### STI Plan – Executive KMP FY23 Outcomes (continued)s

Mr Lockhart received a Board approved STI payment with respect to performance of his KMP role as CFO in FY23 of \$69,062 (including superannuation). The following table provides details of the proportion of Mr Lockhart's maximum STI opportunity achieved with respect to FY23:

Maximum STI Opportunity for CFO	% of maximum opportunity achieved	% of maximum opportunity not achieved
30% of TFR	68%	32%

Mr Lockhart'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). Mr Lockhart met the values and financial thresholds in FY23. Mr Lockhart's STI was assessed on an FX-adjusted or constant currency basis.

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

	Fixed remuneration		Remuneration linked to performance	
	2023	2022	2023	2022
<b>Executive Director</b>				
Craig Dower	76%	76%	24%	24%
<b>Other executive KMP</b>				
Brenton Lockhart	80%	100%	20%	0%

## Directors' Report (continued)

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

#### KEY TERMS OF KMP EMPLOYMENT CONTRACTS

The key provisions of executive KMP employment contracts relating to remuneration as at 30 June 2023 are outlined below:

	Term	Base salary <sup>1</sup>	Notice period for QANTM to terminate employment
<b>Executive Director</b>			
Mr Craig Dower	Commenced 13 January 2020, no minimum term	\$700,000 (\$674,707 exclusive of superannuation) <sup>2</sup>	6 months
<b>Other executive KMP</b>			
Mr Brenton Lockhart	Commenced as CFO 1 June 2022, no minimum term	\$340,000 from 1 June 2023 (\$314,707 exclusive of superannuation) <sup>2</sup>	6 months

#### Notes:

<sup>1</sup> Base salary is as per employee agreement with super at the superannuation cap.

<sup>2</sup> Mr Dower's base salary remained at \$700,000 per annum, including statutory superannuation, with effect from 1 July 2023. Mr Lockhart's base salary increased to \$400,000 per annum, including statutory superannuation, with effect from 1 July 2023.

#### RELATIONSHIP BETWEEN REMUNERATION OUTCOMES AND GROUP PERFORMANCE

Noting that aspects of KMP remuneration are related to QANTM Group financial performance, including an earnings per share metric for consideration of Long Term Incentive payments, 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	EBITDA \$'000s	EBIT \$'000s	NPAT \$'000s	Dividends per share cents	EPS cents	EPS % change (year on year)	Share price 30 June \$
2017	99,520	12,915	11,018	7,180	8.9	5.40	-	\$1.27
2018	101,716	16,981	14,817	9,513	7.1	7.16	33%	\$1.05
2019	112,170	19,949	17,674	11,206	8.3	8.42	18%	\$1.42
2020	116,568	22,613	15,853	9,377	7.1	7.18	-15%	\$1.18
2021	119,079	23,711	16,416	10,385	7.4	7.71	7%	\$1.16
2022	127,278	21,578	13,376	7,142	6.5	5.32	-31%	\$0.96
2023	136,954	23,396	15,612	7,857	6.3	5.69	7%	\$0.84



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

### 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>								
2023	-	-	-	-	-	-	-	-
2022	187,000	-	-	-	-	-	-	187,000
<b>2023</b>	<b>204,000</b>	-	-	-	-	-	-	<b>204,000</b>
2022	130,769	-	-	-	-	-	-	130,769
<b>2023</b>	<b>122,400</b>	-	-	-	-	-	-	<b>122,400</b>
2022	122,400	-	-	-	-	-	-	122,400
<b>2023</b>	<b>110,769</b>	-	-	-	<b>11,631</b>	-	-	<b>122,400</b>
2022	37,662	-	-	-	3,768	-	-	41,430
<b>2023</b>	<b>110,769</b>	-	-	-	<b>11,631</b>	-	-	<b>122,400</b>
2022	15,385	-	-	-	1,584	-	-	16,969
<b>Executive Director:</b>								
2023	674,707	124,250	7,589	-	25,293	13,165	111,483	956,487
2022	630,351	81,250	8,551	-	28,401	10,482	135,777	894,812
<b>Executive Officers:</b>								
2023	-	-	-	-	-	-	-	-
2022	70,667	-	-	-	5,707	-	8,225	84,599
<b>2023</b>	-	-	-	-	-	-	-	-
2022	245,321	22,500	-	-	21,632	5,032	-	294,486
<b>2023</b>	<b>314,707</b>	<b>69,062</b>	-	-	<b>25,293</b>	<b>25,409</b>	<b>20,130</b>	<b>454,601</b>
2022	25,558	-	-	-	589	446	-	26,593

#### Explanatory Notes:

1. On an accrual, rather than cash, basis.
2. Relates to car parking in the Melbourne office.
3. FY22 remuneration is representative of service or employment for part of the year.

## Directors' Report (continued)

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

#### Bonuses and share-based payments granted as compensation for FY23

##### Cash bonuses

The table above notes the cash bonuses awarded to KMP with respect to performance in FY23.

##### 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 and achievement of compound annual growth in earnings per share for QANTM issued shares. Details of the performance rights issued to KMP, and/or vesting as QANTM shares during FY22 and FY23 are set out earlier in this report.

#### KMP EQUITY HOLDINGS

The number of shares in the Company held at the beginning and end of FY23 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 1 July 2022	Granted as compensation during the year	Received on exercise of rights during the year	Other changes during the year	Balance at 30 June 2023
	Number of ordinary shares	Number of ordinary shares	Number of ordinary shares	Number of ordinary shares	Number of ordinary shares
Ms Sonia Petering	45,044	-	-	-	45,044
Mr Leon Allen	2,037,227	-	-	-	2,037,227
Mr Gavin Bell	25,641	-	-	-	25,641
Ms Kathy Gramp	-	-	-	-	-
Mr Craig Dower <sup>1</sup>	147,525	-	-	-	147,525
Mr Brenton Lockhart	-	-	-	-	-

#### Explanatory Notes:

- 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 *Sign-on Bonus*. Of these, 59,010 rights vested and were converted into QANTM ordinary shares during FY21. A further 88,515 rights vested and were converted into QANTM ordinary shares during FY22. The remaining balance of 147,525 rights vested in February 2023.
- The adoption of a Non-Executive Director (NED) Fee Sacrifice Plan was approved by the Board on 25 May 2023, with the first Participation Period being the 12-month period beginning on 1 July 2023 and ending 30 June 2024. A summary of the Participation levels for the FY2024 is summarised in the table below.

Name	Comments
Ms Sonia Petering (Chair/ NED)	Ms Petering was appointed to Chair on 24 May 2022 which resulted in her fees increasing from \$122,400 pa to \$204,000pa. QIP shares / confirmed participation in the 2023 NED Fee Sacrifice Plan at 30% (\$61,200) for period 1 July 2023 to 30 Jun 2024. Threshold met based on NED fees. Recalculation of the threshold based on fees as Chair to be undertaken on the third anniversary of that promotion (being 24 May 2025).
Mr Leon Allen (NED)	Appointed 1 July 2020. Current holding of 2,037,227 QIP shares.
Mr Gavin Bell (NED)	Appointed NED on 1 March 2022, with the 3-year anniversary being 1 March 2025. Currently holds 25,641 QIP Shares. Confirmed participation in the 2023 NED Fee Sacrifice Plan at 30% of pre-tax fees (\$36,720) for period 1 July 2023 to 30 Jun 2024.
Ms Kathy Gramp (NED)	Appointed NED on 11 May 2023, with the 3-year anniversary being 11 May 2025. Confirmed participation in the 2023 NED Fee Sacrifice Plan at 50% of pre-tax fees (\$61,200) for period 1 July 2023 to 30 Jun 2024.

END OF REM REPORT

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## 9. Dividends paid or recommended

The following dividends were paid or declared during the period:

A final fully franked ordinary dividend of 3.5 cents per share was paid on 6 October 2022: \$4.8 million

An interim fully franked ordinary dividend of 2.8 cents per share was paid on 5 April 2023: \$3.9 million

In respect of the year ended 30 June 2023, the directors resolved to approve a fully franked final dividend of 3.5 cents per share. The record date will be 4 September 2023 and the dividend is scheduled to be paid on 4 October 2023. As such the dividend has not been included as a liability in these financial statements. The total dividend to be paid is \$4.8 million (2022: \$4.8 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 and priorities is provided at item 6 of this Directors report.

## 12. Environmental issues

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

## 13. Proceedings on behalf of the Company

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

## 14. Rounding of amounts

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

## 15. Indemnification and insurance of officers and auditors

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

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

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

## Directors' Report (continued)

### 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 2023, has been received and can be found on page 29 of the financial report.

### 18. Corporate Governance

The board and management of QANTM are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (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.

Chair: .....  
Sonia Petering

Dated this 24th day of August 2023

# Auditor's Independence Declaration



## RSM Australia Partners

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## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of QANTM Intellectual Property Limited for the year ended 30 June 2023, 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.

A handwritten signature in blue ink that reads 'RSM'.

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink that reads 'Jason Croall'.

**JASON CROALL**  
Partner

Melbourne, Victoria  
Dated: 24 August 2023

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.  
RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation



# Consolidated Statement of Profit or Loss & Other Comprehensive Income

for the year ended 30 June 2023

		2023 \$'000	2022 \$'000
	<b>Note</b>		
Service charges		103,775	96,603
Associate charges		33,179	30,675
<b>Total revenue from contracts with customers</b>	3(a)	<b>136,954</b>	127,278
Other income	3(b)	2,541	3,174
Employee benefits expenses		(61,896)	(60,122)
Recoverable expenses		(31,149)	(29,256)
Occupancy expenses		(2,322)	(2,049)
Technology expenses		(8,745)	(8,107)
Business acquisition expenses		(147)	(1,104)
Impairment expense	10	(500)	-
Other expenses	4	(11,340)	(8,236)
<b>Earnings before depreciation and amortisation, finance costs and income tax</b>		<b>23,396</b>	21,578
Depreciation and amortisation		(7,784)	(8,202)
<b>Earnings before finance costs and income tax</b>		<b>15,612</b>	13,376
Finance costs		(3,598)	(2,359)
<b>Profit before income tax</b>		<b>12,014</b>	11,017
Income tax expense	5(a)	(4,157)	(3,875)
<b>Net profit for the year</b>		<b>7,857</b>	7,142
<b>Other comprehensive (loss) / income, net of income tax</b>			
Exchange differences on translating foreign operations		(89)	(587)
<b>Total comprehensive income for the year</b>		<b>7,768</b>	6,555
<b>Net profit / (loss) attributable to:</b>			
Members of the parent entity		7,857	7,284
Non-controlling interests		-	(142)
		<b>7,857</b>	7,142
<b>Total comprehensive income / (loss) attributable to:</b>			
Members of the parent entity		7,768	6,697
Non-controlling interests		-	(142)
		<b>7,768</b>	6,555
<b>Earnings per share</b>			
Basic earnings per share (cents)	20	5.69	5.32
Diluted earnings per share (cents)	20	5.64	5.29

The accompanying notes form part of these financial statements.



# Consolidated Statement of Financial Position

as at 30 June 2023

		2023	2022
		\$'000	\$'000
	<b>Note</b>		
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	8,021	7,417
Trade and other receivables	7	41,891	38,784
Other assets		2,252	1,774
Current tax asset		-	176
<b>Total current assets</b>		<b>52,164</b>	<b>48,151</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	2,761	1,644
Right-of-use assets	9	9,853	8,694
Intangible assets	10	80,910	84,268
<b>Total non-current assets</b>		<b>93,524</b>	<b>94,606</b>
<b>TOTAL ASSETS</b>		<b>145,688</b>	<b>142,757</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	15,742	14,143
Provisions	12	8,224	8,027
Borrowings	13	3,017	3,621
Lease liabilities	14	3,273	3,617
Other financial liabilities	15	1,463	1,500
Current income tax liabilities		1,496	-
<b>Total current liabilities</b>		<b>33,215</b>	<b>30,908</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	12	226	226
Borrowings	13	29,232	27,553
Lease liabilities	14	8,413	7,357
Other financial liabilities	15	-	1,228
Deferred tax liabilities	16	2,321	3,540
<b>Total non-current liabilities</b>		<b>40,192</b>	<b>39,904</b>
<b>TOTAL LIABILITIES</b>		<b>73,407</b>	<b>70,812</b>
<b>NET ASSETS</b>		<b>72,281</b>	<b>71,945</b>
<b>EQUITY</b>			
Issued capital	17	300,128	298,948
Reserves	18	(223,232)	(223,223)
Non-controlling interest		(416)	(416)
Accumulated losses		(4,199)	(3,364)
<b>TOTAL EQUITY</b>		<b>72,281</b>	<b>71,945</b>

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes In Equity

for the year ended 30 June 2023

2023

	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 2022</b>	<b>298,948</b>	<b>(222,856)</b>	-	<b>302</b>	<b>(669)</b>	<b>(416)</b>	<b>(3,364)</b>	<b>71,945</b>
Profit for the year	-	-	-	-	-	-	7,857	7,857
Other comprehensive loss, net of tax	-	-	-	-	(89)	-	-	(89)
<b>Total comprehensive income / (loss) for the period</b>	-	-	-	-	<b>(89)</b>	-	<b>7,857</b>	<b>7,768</b>
<b>Transactions with owners in their capacity as owners</b>								
Shares issued during the year (Note 17)	100	-	-	-	-	-	-	100
Issued capital from Sortify Acquisition (Note 17)	1,000	-	-	-	-	-	-	1,000
Dividends paid (Note 19)	-	-	-	-	-	-	(8,692)	(8,692)
Performance rights (Note 21)	-	-	-	160	-	-	-	160
Share based payment (Note 17, 21)	80	-	-	(80)	-	-	-	-
<b>Balance at 30 June 2023</b>	<b>300,128</b>	<b>(222,856)</b>	-	<b>382</b>	<b>(758)</b>	<b>(416)</b>	<b>(4,199)</b>	<b>72,281</b>

2022

	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 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>
Profit for the year	-	-	-	-	-	(142)	7,284	7,142
Other comprehensive loss, net of tax	-	-	-	-	(587)	-	-	(587)
<b>Total comprehensive income / (loss) for the period</b>	-	-	-	-	<b>(587)</b>	<b>(142)</b>	<b>7,284</b>	<b>6,555</b>
<b>Transactions with owners in their capacity as owners</b>								
Shares issued during the year	60	-	-	-	-	-	-	60
Issued capital from Cotters Acquisition	270	-	(270)	-	-	-	-	-
Issued capital from Sortify Acquisition	1,000	-	-	-	-	-	-	1,000
Dividends paid	-	-	-	-	-	-	(8,740)	(8,740)
Performance rights	210	-	-	(210)	-	-	-	-
<b>Share based payment</b>	-	-	-	<b>240</b>	-	-	-	<b>240</b>
<b>Balance at 30 June 2022</b>	<b>298,948</b>	<b>(222,856)</b>	-	<b>302</b>	<b>(669)</b>	<b>(416)</b>	<b>(3,364)</b>	<b>71,945</b>

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cash Flows

for the year ended 30 June 2023

	2023	2022
	\$'000	\$'000
<b>Note</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	151,199	134,580
Payments to suppliers and employees	(128,069)	(112,272)
Interest and costs of finance paid	(2,921)	(1,651)
Income tax paid	(3,892)	(4,631)
<b>Net cash generated from operating activities</b>	<b>16,317</b>	<b>16,026</b>
29(a)		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for purchase of property, plant and equipment	8 (2,128)	(501)
Payments for intangible assets	10 (570)	(443)
Payments to business acquisition	15 (500)	(6,657)
Business acquisition related costs	(147)	(1,104)
<b>Net cash used in investing activities</b>	<b>(3,345)</b>	<b>(8,705)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bank borrowings	29(b) 3,488	11,750
Repayments of bank borrowings	29(b) (3,044)	(3,600)
Payments of lease liabilities	29(b) (4,123)	(5,036)
Dividends paid	(8,692)	(8,740)
<b>Net cash used in financing activities</b>	<b>(12,371)</b>	<b>(5,626)</b>
Net increase / (decrease) in cash and cash equivalents	601	1,695
Effects of exchange rate changes on the balance of cash held in foreign currencies	3	-
Cash and cash equivalents at the beginning of the year	7,417	5,722
Cash and cash equivalents at the end of the year	6 8,021	7,417

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

for the year ended 30 June 2023

## 1 Statement of Material Accounting Policies

### General Information

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

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

### Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB), and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS Accounting Standards) as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with International Financial Reporting Standards as issued by the 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.

### Presentation Currency and Rounding

These financial statements are presented in Australian Dollars (\$), which is QANTM's functional and presentation currency. Foreign operations are included in accordance with the policies set out in the notes below.

The company is of a kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, and in accordance with that Corporations Instrument amounts the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

### Basis of Preparation

The financial statements have been prepared on an accrual 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.

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 takes into account 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 *Share-based Payment*, leasing transactions that are within the scope of AASB 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136 *Impairment of Assets*.

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

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

## 1 Statement of Material Accounting Policies (continued)

The principal accounting policies adopted are set out below:

### (a) Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

### (b) Basis of Consolidation

The consolidated financial statements incorporate all the assets, liabilities and results of the parent QANTM Intellectual Property Limited and all 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 Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control noted above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power.

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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### (c) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 at the acquisition date
- Assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

## Notes to the Financial Statements (continued)

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

#### (d) Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

#### (e) Foreign Currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting)
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment



## 1 Statement of Material Accounting Policies (continued)

### (e) Foreign Currencies (continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

### (f) Revenue Recognition

Revenue from contracts with customers is recognised 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:

- Identifying the contract with the customer;
- Identifying the performance obligations in the contract;
- Determining the transaction price;
- Allocating the transaction price to the performance obligations in the contract; and
- Recognising revenue as and when the performance obligations are satisfied.

The Group generated 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 the ongoing protection of intellectual property.

Service Charge revenue received from the filing of patent or trade mark 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 is 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 credit terms of 30 days.

#### *Associate Charges*

Associate Charge revenue includes revenue from recharging, as Principal, the cost of arranging for intellectual property protection in other jurisdictions and revenue from recharging the fees of barristers and other experts. Associate Charge revenue performance obligations are satisfied at a point in time. Upon completion of these performance obligations, the Group is entitled to payment for services performed.

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

#### *Interest Revenue*

Interest is recognised using the effective interest method.

## Notes to the Financial Statements (continued)

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

#### (g) Recoverable Expenses

Recoverable expenses are payments 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. These are recognised as an expense as incurred and, to the extent recoverable from customers, as revenue.

#### (h) Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

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

##### *Current 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.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

##### *Deferred Tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## 1 Statement of Material Accounting Policies (continued)

### (h) Taxation (continued)

#### *Current and Deferred Tax for the Period*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### (i) Earnings Per Share

#### *Basic Earnings Per Share*

Basic earnings per share are 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 adjust 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.

### (j) Cash and Cash Equivalents

In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the statement of financial position.

### (k) Financial Instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions to the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### *Financial Assets*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

## Notes to the Financial Statements (continued)

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

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

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

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*.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The Group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

## 1 Statement of Material Accounting Policies (continued)

### (k) Financial Instruments (continued)

#### *Financial Liabilities and Equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group classifies liabilities as current when it expects to settle the liabilities in its normal operating cycle and the liabilities are due to be settled within twelve months after the reporting period; or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. The Group classifies all other liabilities as non-current.

### (l) Property, Plant and Equipment

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

Property, plant and equipment, excluding freehold land, are depreciated. 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, commencing when the asset is ready for use. 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.

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

Right-of-use assets are depreciated over the shorter period of the lease term and the 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 depreciated over the useful life of the underlying asset.

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

## Notes to the Financial Statements (continued)

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

#### (m) Intangibles Assets Acquired Separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses and subject to impairment tests annually. 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.

##### *Brand Names*

Brand names are intangible assets with indefinite useful lives. Brand names are tested for impairment annually. In line with the restructuring of Cotters and DCC Advanz in FY22, accelerated amortisation is applied to the Brand Names of these two entities.

##### *Software*

Software which is acquired separately is amortised over 3 – 5 years with consideration given to future technology upgrades and the impact of such changes to the useful life.

##### *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 for obtaining 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 is accounted for prospectively as a change in the 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 estimated useful lives used for each class are shown below:

<b>Class of intangibles</b>	<b>Amortisation rate</b>	<b>Amortisation basis</b>
Customer relationships	16 - 24 years	Straight line
Software	3 – 5 years	Straight line

#### (n) Intangibles Assets Acquired in a Business Combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.



## 1 Statement of Material Accounting Policies (continued)

### (o) Internally-generated Intangible Assets – Research and Development Expenditure

#### *Software*

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

### (p) 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.

### (q) Impairment of Assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

## Notes to the Financial Statements (continued)

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

#### (q) Impairment of Assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

#### (r) Leases

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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.

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.

## 1 Statement of Material Accounting Policies (continued)

### (r) Leases (continued)

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.

Variable rents that do not depend on an index or rate are not included in the measurement of 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 "Occupancy expenses" or "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.

### (s) 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 are recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (t) Employee Benefits

#### *Short and Long-Term Employee Benefit*

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

#### *Other Long-Term Employee Benefits*

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

## Notes to the Financial Statements (continued)

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

#### (t) Employee Benefits (continued)

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 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.

#### (u) Provisions

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

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

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

#### (v) Borrowing Costs

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

#### (w) 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.

#### (x) 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 share based payments reserve.

#### (y) Group Reorganisation Reserve

The reserve relates to transactions that have historically been accounted for as a group reorganisation of entities under a 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 the 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".

## 1 Statement of Material Accounting Policies (continued)

### (z) Dividends

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

### (aa) 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(q). Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating unit to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the impairment testing are in Note 10.

##### *Expected Credit Loss Allowance*

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

##### *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 likeliness 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.

##### *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 following are the key judgements made 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, judgement was applied 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.

## Notes to the Financial Statements (continued)

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

#### (ab) Adoption of New and Revised Australian Accounting Standards

##### *New and Amended Australian Accounting Standards that are Effective for the Current Year*

The Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2022.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*

The application of the amendments did not have a material impact on the Group's consolidated financial statements.

##### *New and revised Australian Accounting Standards and Interpretations on issue but not yet effective*

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

<b>Standard/amendment</b>	<b>Effective for annual reporting periods beginning on or after</b>
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current, AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date and AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants	1 January 2024
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	1 January 2024
AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards	1 January 2023



## 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.

Full-year ended	AUSTRALIA <sup>1</sup>		ASIA		TOTAL	
	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Service charges	95,567	90,396	8,208	6,207	103,775	96,603
Associate charges	30,429	28,950	2,750	1,725	33,179	30,675
<b>Total Revenue</b>	<b>125,996</b>	119,346	<b>10,958</b>	7,932	<b>136,954</b>	127,278
Other income	2,168	2,614	373	560	2,541	3,174
Recoverable expenses	(28,681)	(27,614)	(2,468)	(1,642)	(31,149)	(29,256)
<b>Net Revenue</b>	<b>99,483</b>	94,346	<b>8,863</b>	6,850	<b>108,346</b>	101,196
Overheads	(78,864)	(74,422)	(5,939)	(4,092)	(84,803)	(78,514)
<b>Earnings Before Interest, Tax, Depreciation and Amortisation</b>	<b>20,619</b>	19,924	<b>2,924</b>	2,758	<b>23,543</b>	22,682
Depreciation	(936)	(1,053)	(69)	(76)	(1,005)	(1,129)
Amortisation	(6,182)	(6,419)	(597)	(654)	(6,779)	(7,073)
<b>Segment profit before finance costs and income tax</b>	<b>13,501</b>	12,452	<b>2,258</b>	2,028	<b>15,759</b>	14,480
<b>Adjustments to reconcile to statutory profit</b>						
Unallocated adjustments					(147)	(1,104)
<b>Statutory profit before finance costs and income tax</b>					<b>15,612</b>	13,376
Finance costs – Interest					(3,598)	(2,359)
<b>Profit for the period before income tax</b>					<b>12,014</b>	11,017
<b>Segment assets</b>	<b>137,828</b>	135,846	<b>7,860</b>	6,911	<b>145,688</b>	142,757
<b>Segment liabilities</b>	<b>(70,163)</b>	(68,274)	<b>(3,244)</b>	(2,538)	<b>(73,407)</b>	(70,812)

<sup>1</sup>Sortify.tm Pty Ltd is included in the Australia reportable segment.

### Major customers

No single customer contributed 10% or more of the Group's revenue during either the year-ended 30 June 2023 or 30 June 2022.

## Notes to the Financial Statements (continued)

### 3 Revenue and Other Income

#### (a) Revenue from Contracts with Customers

##### Disaggregated revenue

The Group has disaggregated revenue into various categories. The revenue is disaggregated by geographical market and service lines as reflected in Note 2. The below table lists the timing of revenue recognition.

	2023 \$'000	2022 \$'000
<b>Timing of revenue recognition</b>		
At a point in time	94,287	78,362
Over time	42,667	48,916
	<u>136,954</u>	<u>127,278</u>
<b>(b) Other income</b>		
Foreign exchange gain	-	912
Other income	2,541	2,262
	<u>2,541</u>	<u>3,174</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 trade mark renewal and maintenance services. Under the agreement with CPA, where DCC clients elect to obtain these services from CPA, DCC receives a commission based on the fees these clients generate for CPA.

### 4 Other Expenses

The result for the year includes the following other expenses:

Travel and entertainment	2,014	1,113
Marketing	1,747	1,696
Foreign exchange loss	611	-
Insurance expense	1,837	1,712
Other expenses	5,131	3,715
	<u>11,340</u>	<u>8,236</u>

## 5 Income Tax Expense

	2023 \$'000	2022 \$'000
<b>(a) The major components of tax expense comprise:</b>		
Current tax expense	5,450	4,383
Deferred tax expense	5(b) (1,389)	(712)
Over/ under provision from previous years	96	204
<b>Income tax expense</b>	5(c) <b>4,157</b>	<b>3,875</b>
<b>(b) Deferred income tax expense included in income tax expense comprises:</b>		
(Increase) / decrease in deferred tax asset	(1,847)	1,545
Increase / (decrease) in deferred tax liability	458	(2,257)
	<b>(1,389)</b>	<b>(712)</b>
<b>(c) Numerical reconciliation of income tax expense to prima facie tax payable:</b>		
Profit before income tax	12,014	11,017
Income tax expenses calculated at 30%	3,604	3,305
Tax effect of differential corporate tax rate		-
<b>Add tax effect of:</b>		
- Non-deductible expenses	202	108
- Other	(31)	38
- Tax losses unable to be utilised	382	424
<b>Income tax expense</b>	<b>4,157</b>	<b>3,875</b>
The applicable weighted average effective tax rates are as follows:	35%	35%
<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% (2022: 30%)	16,062	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.		
In 2023 New Zealand tax losses of \$981,862 exist that continue to be assessed for the ability of QANTM to utilise these losses, to satisfy New Zealand tax requirements and therefore have not at 30 June 2023 been included in the above.		

## 6 Cash and Cash Equivalents

Cash on hand	10	8
Cash at bank	8,011	7,409
	<b>8,021</b>	<b>7,417</b>

## Notes to the Financial Statements (continued)

### 7 Trade and Other Receivables

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	7(a) <b>42,913</b>	38,916
Less: Expected credit loss allowance	7(b) <b>(1,488)</b>	(747)
	<b>41,425</b>	38,169
Other receivables	<b>466</b>	615
<b>Total current trade and other receivables</b>	<b>41,891</b>	<b>38,784</b>

#### (a) Aged analysis

The aging analysis of current trade receivables is as follows:

0-30 days	<b>19,932</b>	19,645
31-60 days	<b>6,444</b>	5,733
61-90 days (past due not impaired)	<b>5,057</b>	3,518
91+ days (past due not impaired)	<b>9,992</b>	9,273
91+ days (past due and impaired)	<b>1,488</b>	747
	<b>42,913</b>	38,916

#### (b) Expected credit loss allowance

Reconciliation of changes in the allowance is as follows:

<b>Balance at beginning of the year</b>	<b>747</b>	655
Additional allowance recognised	<b>1,268</b>	377
Receivables written off during the year as uncollectable	<b>(527)</b>	(285)
<b>Balance at end of the year</b>	<b>1,488</b>	747

## 8 Property, Plant and Equipment

	2023	2022
	\$'000	\$'000
<b>Leasehold improvements</b>		
At cost	2,079	2,079
Accumulated depreciation	(2,069)	(2,049)
Net carrying value of leasehold improvements	<u>10</u>	<u>30</u>
<b>Office equipment</b>		
At cost	8,120	6,045
Accumulated depreciation	(5,369)	(4,431)
Net carrying value office equipment	<u>2,751</u>	<u>1,614</u>
<b>Total property, plant and equipment</b>	<u><u>2,761</u></u>	<u><u>1,644</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	Total \$'000
<b>2022</b>				
<b>Opening balance at 1 July 2021</b>		48	2,228	2,276
Additions at cost		-	499	499
Additions through business combinations	28	-	6	6
Disposals - written down value		(9)	-	(9)
Depreciation expense		(9)	(1,119)	(1,128)
<b>Closing balance at 30 June 2022</b>		<u>30</u>	<u>1,614</u>	<u>1,644</u>
<b>2023</b>				
<b>Opening balance at 1 July 2022</b>		30	1,614	1,644
Foreign currency translation adjustment to opening balance		-	(7)	(7)
Additions		-	2,128	2,128
Disposals - written down value		-	-	-
Depreciation expense		(20)	(984)	(1,004)
<b>Closing balance at 30 June 2023</b>		<u>10</u>	<u>2,751</u>	<u>2,761</u>

## Notes to the Financial Statements (continued)

### 9 Right-of-use Assets

	2023 \$'000	2022 \$'000
<b>Leased buildings</b>		
Right-of-use asset	26,167	21,778
Accumulated amortisation	<u>(16,314)</u>	<u>(13,084)</u>
	<b>9,853</b>	8,694
<b>Leased motor vehicles</b>		
Right-of-use asset	544	544
Accumulated amortisation	<u>(544)</u>	<u>(544)</u>
	-	-
<b>Total right-of-use assets</b>	<b><u>9,853</u></b>	<b>8,694</b>

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

	Leased buildings \$'000	Lease motor vehicles \$'000	Total \$'000
<b>2022</b>			
<b>Opening balance as at 1 July 2021</b>	<b>13,150</b>	<b>68</b>	<b>13,218</b>
Foreign currency translation adjustment to opening balance	(63)	-	(63)
Additions	-	-	-
Amortisation	<u>(4,393)</u>	<u>(68)</u>	<u>(4,461)</u>
<b>Closing balance as at 30 June 2022</b>	<b><u>8,694</u></b>	<b>-</b>	<b>8,694</b>
<b>2023</b>			
<b>Opening balance as at 1 July 2022</b>	<b>8,694</b>	<b>-</b>	<b>8,694</b>
Foreign currency translation adjustment to opening balance	(4)	-	(4)
Additions	4,454	-	4,454
Derecognition	(61)	-	(61)
Amortisation	<u>(3,230)</u>	<u>-</u>	<u>(3,230)</u>
<b>Closing balance as at 30 June 2023</b>	<b><u>9,853</u></b>	<b>-</b>	<b>9,853</b>

The Group leases several buildings. The average lease term is 8 years, with a remaining average lease term of 5 years. The right-of-use asset addition in FY23 of \$4,453,808 relates to the new FPA Melbourne and new DCC Sydney office leases.

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

	2023 \$'000	2022 \$'000
Amortisation charge related to right-of-use assets	(3,230)	(4,461)
Interest expense on lease liabilities (under finance costs)	<u>(433)</u>	<u>(708)</u>
<b>Total expenses recognised in the statement of profit or loss</b>	<b><u>(3,663)</u></b>	<b>(5,169)</b>

## 10 Intangible Assets

	2023	2022
	\$'000	\$'000
<b>Goodwill</b>		
Balance at beginning of period	54,821	48,793
Acquisitions through business combinations	-	6,357
Foreign currency translation	97	(329)
Accumulated impairment losses	-	-
Impairment expense	(500)	-
Net carrying value of goodwill	<u>54,418</u>	<u>54,821</u>
<b>Brand names</b>		
Balance at beginning of period	5,441	4,521
Acquisitions through business combinations	-	970
Foreign currency translation	3	(50)
Accumulated amortisation bought forward	(332)	-
Amortisation charge for the period	(989)	(332)
Net carrying value of brand names	<u>4,123</u>	<u>5,109</u>
<b>Customer relationships</b>		
Balance at beginning of period	25,328	25,328
Acquisitions through business combinations	-	-
Accumulated amortisation bought forward	(6,622)	(5,348)
Amortisation charge for the period	(1,274)	(1,274)
Net carrying value of customer relationships	<u>17,432</u>	<u>18,706</u>
<b>Software</b>		
Balance at beginning of period	7,842	2,568
Additions at cost	570	443
Acquisitions through business combinations	-	5,095
Foreign currency translation	21	(264)
Accumulated amortisation bought forward	(2,210)	(1,203)
Amortisation charge for the period	(1,286)	(1,007)
Net carrying value of software	<u>4,937</u>	<u>5,632</u>
<b>Total Intangibles</b>	<u>80,910</u>	<u>84,268</u>



## Notes to the Financial Statements (continued)

### 10 Intangible Assets (continued)

The below indefinite life intangible assets, which includes goodwill and brand names are allocated to the following cash generating unit (CGU) for impairment testing purposes.

#### (a) Cash generating unit (continued)

	2023 \$'000	2022 \$'000
	<b>Note</b>	
<b>DCC</b>		
Goodwill	503	503
Intangible assets not ready for use (software)	-	673
Software (at amortised cost)	1,081	587
Customer relationships (at amortised cost) <sup>1</sup>	481	-
	<u>2,065</u>	<u>1,763</u>
<b>FPA</b>		
Goodwill	48,290	48,290
Brand names	2,700	2,700
Customer relationships (at amortised cost) <sup>1</sup>	15,025	13,646
Intangible assets not ready for use (software)	-	262
Software (at amortised cost)	255	23
	<u>66,270</u>	<u>64,921</u>
<b>Sortify</b>		
Goodwill	5,625	6,028
Brand names	923	920
Software (at amortised cost)	3,601	4,069
	<u>10,149</u>	<u>11,017</u>
<b>DCC ADVANZ</b>		
Brand names (at amortised cost)	500	773
Customer relationships (at amortised cost)	1,926	2,101
	<u>2,426</u>	<u>2,874</u>
<b>Cotters</b>		
Customer relationships (at amortised cost) <sup>1</sup>	-	2,959
	<u>-</u>	<u>2,959</u>

<sup>1</sup>Following the successful integration of Cotters into DCC and FPA the remaining customer relationship intangible assets have been split into the DCC and FPA CGUs respectively. This allocation aligns to the split of goodwill to the respective CGUs in FY22.

## 10 Intangible Assets (continued)

### (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 DCC, FPA, and Sortify 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 VIU model has been used to test the impairment of intangible assets, including goodwill.

#### *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% for FY2024 to FY2027 and increase by 3.5% for FY2028;
- overhead costs across FY2024 to FY2027 to increase by 3.7% and 3.0% in FY2028;
- in the period beyond 5 years a long-term growth rate of 2.5%; and
- post-tax discount rate of 12.9%.

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 2023.

Based on the recoverable amount of the FPA CGU exceeding its aggregate carrying amount at 30 June 2023 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.

#### *Sortify*

The recoverable amount of the Sortify 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:

- average revenue increase of 30.4% across 2024 to 2027, with a 28.3% increase in 2028;
- in the period beyond 5 years a long-term growth rate of 2.5%; and
- a post-tax discount rate of 21%.

The assumptions are based on the Group's forecast operating and financial performance of Sortify. Revenue growth assumptions are based on comparable company research, technology start-up growth rates, historical revenue growth trends and discussions with Management on expected future revenues. Sortify has launched 'Trademarks Online' in UK and Singapore during 2022. In 2023, Sortify launched online platforms in Malaysia and Benelux.

The discount rate is derived from the opportunity cost of capital after taking into account risk that future cash flows will not eventuate as planned and the return required on investment. The key assumptions used in the VIU calculation represents management's best estimate at 30 June 2023.

The carrying value of the Sortify CGU exceeded its recoverable amount at 30 June 2023, resulting in an impairment charge of \$500,358 being recognised against the goodwill of the CGU. The Sortify CGU forms part of the Australia Segment. As goodwill has been impaired any negative change to any of the assumptions used in the VIU calculation would lead to further impairment of goodwill.

## Notes to the Financial Statements (continued)

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>11 Trade and Other Payables</b>		
CURRENT		
Trade payables	7,577	7,682
GST payable	489	119
Other payables and accruals	7,676	6,342
<b>Total current trade and other payables</b>	<b>15,742</b>	<b>14,143</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>12 Provisions</b>		
CURRENT		
Employee benefits	8,224	8,027
<b>Total current provisions</b>	<b>8,224</b>	<b>8,027</b>
NON-CURRENT		
Employee benefits	226	226
<b>Total non-current provisions</b>	<b>226</b>	<b>226</b>

**(a) Movement in carrying amounts**

	<b>Employee Benefits \$'000</b>
<b>2022</b>	
Opening balance at 1 July 2021	8,179
Additional provisions	3,374
Provisions used	(3,300)
<b>Closing balance at 30 June 2022</b>	<b>8,253</b>
<b>2023</b>	
Opening balance at 1 July 2022	8,253
Additional provisions	4,690
Provisions used	(4,493)
<b>Closing balance at 30 June 2023</b>	<b>8,450</b>

		2023 \$'000	2022 \$'000
<b>13 Borrowings</b>	<b>Note</b>		
CURRENT			
Bank loans	13(b)	3,017	3,621
<b>Total current borrowings</b>		<b>3,017</b>	<b>3,621</b>
NON-CURRENT			
Bank loans	13(b)	29,232	27,553
<b>Total non-current borrowings</b>		<b>29,232</b>	<b>27,553</b>
<b>Total borrowings</b>		<b>32,249</b>	<b>31,174</b>
<b>(a) Total current and non-current secured borrowings</b>			
Bank loans		32,249	31,174
		<b>32,249</b>	<b>31,174</b>

**(b) Summary of borrowing arrangements**

During FY23 the Group refinanced the banking facility agreement with HSBC. The facility consists of:

- US\$25.5 million acquisition facility;
- A\$25 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 1 July 2025. All facilities, excluding the USD facility, have a variable interest rate based on bank bill swap rate (BBSY) plus a margin. The USD facility is based on the Compound Secured Overnight Financing Rate (SOFR) 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 and debt service cover ratio. The Company has operated within these covenants during the period.

	2023 \$'000	2022 \$'000
Amount unutilised	36,213	27,176
Amount utilised	32,249	31,174
	<b>68,462</b>	<b>58,350</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.

## Notes to the Financial Statements (continued)

	2023 \$'000	2022 \$'000
<b>14 Lease liabilities</b>		
<b>Maturity analysis:</b>		
Year 1	3,780	3,945
Year 2	3,904	2,768
Year 3	2,881	2,850
Year 4	1,300	1,782
Year 5	827	268
Onwards	163	221
	<u>12,855</u>	<u>11,834</u>
<b>Less: interest payable</b>	<u>(1,169)</u>	<u>(860)</u>
	<u>11,686</u>	<u>10,974</u>
<b>Analysed as:</b>		
Current	3,273	3,617
Non-current	8,413	7,357
	<u>11,686</u>	<u>10,974</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.

### 15 Other Financial Liabilities

#### CURRENT

Deferred consideration Sortify <sup>1</sup>	<u>1,463</u>	1,500
	<u>1,463</u>	1,500

#### NON-CURRENT

Deferred consideration Sortify <sup>1</sup>	<u>-</u>	1,228
Total Other Financial Liabilities	<u>1,463</u>	2,728

<sup>1</sup> Deferred consideration balances in the current year relates to acquisition of Sortify.tm, which occurred on 30 September 2021.

## 16 Deferred Income Tax

	Opening Balance	Recognised in Profit or Loss	Acquisitions	Closing Balance
2022	\$'000	\$'000	\$'000	\$'000
Black hole expenses	33	(80)	-	(47)
Provisions	3,855	97	-	3,952
Lease liability	4,672	(1,302)	-	3,370
Unused tax losses	392	(260)	-	132
Trade receivables	(108)	(171)	-	(279)
Other assets	(95)	456	-	361
Property, plant and equipment	49	(1)	-	48
Right-of-use asset	(4,151)	1,380	-	(2,771)
Intangible assets	(7,193)	746	(1,698)	(8,145)
Trade payables	(8)	(153)	-	(161)
<b>Deferred Tax Asset</b>	<b>8,944</b>	<b>(1,545)</b>	<b>-</b>	<b>7,407</b>
<b>Deferred Tax Liability</b>	<b>(11,506)</b>	<b>2,257</b>	<b>(1,698)</b>	<b>(10,947)</b>
<b>Net deferred tax</b>	<b>(2,554)</b>	<b>712</b>	<b>(1,698)</b>	<b>(3,540)</b>
<b>2023</b>			<b>Other</b>	<b>Closing Balance</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Black hole expenses	(47)	180	-	133
Provisions	3,952	845	(85)	4,712
Lease liability	3,370	210	(95)	3,485
Unused tax losses	132	(100)	-	32
Trade receivables	(279)	712	-	433
Other assets	361	(668)	-	(307)
Property, plant and equipment	48	(600)	-	(552)
Right-of-use asset	(2,771)	(185)	-	(2,956)
Intangible assets	(8,145)	988	10	(7,147)
Trade and other payables	(161)	7	-	(154)
<b>Deferred Tax Asset</b>	<b>7,407</b>	<b>1,847</b>	<b>(180)</b>	<b>8,795</b>
<b>Deferred Tax Liability</b>	<b>(10,947)</b>	<b>(458)</b>	<b>10</b>	<b>(11,116)</b>
<b>Net deferred tax</b>	<b>(3,540)</b>	<b>1,389</b>	<b>(170)</b>	<b>(2,321)</b>

## Notes to the Financial Statements (continued)

### 17 Issued Capital

	2023 \$'000	2022 \$'000
<b>Fully paid ordinary shares</b>	<b>300,128</b>	298,948

#### (a) Ordinary shares

	2023 No.	2022 No.
<b>At the beginning of the reporting period</b>	<b>137,498,622</b>	136,059,964
Shares issued during the year:		
Issued to employee	<b>100,109</b>	-
Issue for business acquisition	<b>877,192</b>	1,211,672
Issued to employees under employee incentive schemes	<b>76,319</b>	226,986
<b>At the end of the reporting period</b>	<b>138,552,242</b>	137,498,622

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 incentive schemes

In the current year, 877,192 shares were issued in line with the acquisition agreement to key employees of Sortify.tm Ltd, and 76,319 shares were issued to employees upon the exercise of performance rights

#### (c) Capital management

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



<b>18 Reserves</b>	<b>Note</b>	<b>2023 \$'000</b>	<b>2022 \$'000</b>
<b>Share based payment reserve</b>			
Opening balance		302	272
Recognition of share-based payments (performance rights)	21	195	298
Transfer from Share based payment reserve on exercise of retention rights		(80)	(210)
Performance rights forfeited	21	(35)	(58)
	18(a)	<u>382</u>	<u>302</u>
<b>Reorganisation reserve</b>			
	18(b)	<u>(222,856)</u>	<u>(222,856)</u>
<b>Acquisition reserve</b>			
Opening balance		-	270
Deferred share consideration for Cotters acquisition transferred to issued capital		-	(270)
	18(c)	<u>-</u>	<u>-</u>
<b>Foreign currency translation reserve</b>			
Opening balance		(669)	(82)
Exchange differences on translating foreign operations		(89)	(587)
	18(d)	<u>(758)</u>	<u>(669)</u>
<b>Total reserves</b>		<u>(223,232)</u>	<u>(223,223)</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(y), 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.

**(c) Acquisition reserve**

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

**(d) 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.

## Notes to the Financial Statements (continued)

	2023 \$'000	2022 \$'000
<b>19 Dividends</b>		
The following dividends were declared and paid:		
<b>Interim Dividend – fully franked ordinary</b>		
3.0 cents paid 6 April 2022		4,114
2.8 cents paid 5 April 2023	3,880	
<b>Final Dividend – fully franked ordinary</b>		
3.4 cents paid 1 October 2021		4,626
3.5 cents paid 3 October 2022	4,812	

QANTM's dividend policy is set out in section 5.15 of QANTM's 2016 IPO prospectus, which states the Board is targeting a dividend payout ratio of between 70% to 90% of NPATA and to frank and impute dividends to the greatest extent possible. In respect of the year ended 30 June 2023, the directors resolved to pay a fully franked final dividend of 3.5 cents per share. The record date will be 4 September 2023. As such the dividend has not been included as a liability in these financial statements. The total dividend to be paid is \$4.8 million. There are no income tax consequences arising from this dividend at 30 June 2023.

### Franking account

The franking credits available for subsequent financial years at a tax rate of 30%	<u>6,456</u>	<u>5,732</u>
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The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

## 20 Earnings Per Share

The calculation of Statutory EPS is presented below:

	2023 cents per share	2022 cents per share
Total basic earnings per share	5.69	5.32
Total diluted earnings per share	5.64	5.29

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

	2023 \$'000	2022 \$'000
Profit for the period attributable to Parent entity	<u>7,857</u>	<u>7,284</u>

### (b) Earnings used to calculate overall earnings per share

Earnings used to calculate overall earnings per share	<u>7,857</u>	<u>7,284</u>
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### (c) Weighted average number of shares used as the denominator in calculation of earnings per share

	2023 No.	2022 No.
Opening	137,498,622	136,059,964
Cotter's shares deferred	-	334,784
Shares issued to employee	100,109	138,471
Performance rights vested – shares issued	76,319	88,515
Sortify.tm acquisition	877,192	876,888
Weighted average number of ordinary shares used to calculate basic EPS	<u>138,090,794</u>	<u>136,864,735</u>
Adjustments for calculation of diluted earnings per share:		
- Performance rights	<u>1,178,178</u>	<u>703,090</u>
Weighted average number of ordinary shares outstanding during the year used to calculate dilutive EPS	<u>139,268,972</u>	<u>137,567,825</u>

## 21 Share-Based Payments

### Executive performance rights

There have been four issues of performance rights by the Group to executives since 23 June 2020, which were expressed to be eligible to vest as QANTM shares in three instalments (20% after one year, 30% after two years and 50% after three years) subject to continued employment and reasonable satisfaction of performance conditions to be determined by the QANTM Board:

- (a) On 23 June 2020, the Group issued 295,050 performance rights to the CEO Craig Dower. The expected life of the performance rights is 36 months. 20% (59,010 rights) vested in March 2021, 30% (88,515 rights) vested in May 2022. The remaining 50% (147,525 rights) vested in February 2023.
- (b) On 21 October 2020, the Group issued 190,797 rights to the then-CFO, Martin Cleaver. The expected life of the performance rights was 36 months. 20% (38,159 rights) vested on 27 August 2021 and the remaining rights lapsed on 27 August 2021.
- (c) On 21 October 2020, the Group issued 95,398 rights to an executive. The expected life of the performance rights is 36 months. 20% (19,079 rights) vested in March 2021, 30% (28,619 rights) vested in December 2021, and 50% (47,700 rights) vested in October 2022.
- (d) On 21 October 2020, the Group issued 95,398 rights to an executive. The expected life of the performance rights is 36 months. 20% (19,079 rights) vested on 27 August 2021, 30% (28,619 rights) vested in September 2022. The remaining 50% (47,700 rights) were forfeited as vesting conditions were not met.

These performance rights are issued under the Company's Employee Incentive Plan, a summary of which was included in the Notice of Meeting for QANTM's 2019 Annual General Meeting, dated 25 October 2019.

### Movements during the year

	2023		2022	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
		\$		\$
<b>Performance rights outstanding as at 1 July</b>	<b>271,544</b>		598,554	-
Granted during the year	-	-	-	-
Performance rights vested <sup>1</sup>	<b>(76,319)</b>	<b>1.04823</b>	(174,372)	1.04823
Performance rights forfeited <sup>2</sup>	<b>(47,700)</b>		(152,638)	-
<b>Performance rights outstanding as at 30 June</b>	<b>147,525</b>		271,544	-
Performance rights exercisable as at 30 June <sup>3</sup>	<b>147,525</b>	-	-	-

1. On 7 September 2022 and 31 October 2022 a total of 76,319 performance rights vested.
2. On 7 October 2022 47,700 of performance rights were forfeited as vesting conditions were not met.
3. Represents vested performance rights of Craig Dower which were allocated as QANTM shares after yearend.

### 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 uses 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 is not permitted to affect a sale of the shares whilst they are in the EST, which is generally for a period of just less than 5 years, although this period may be abridged in the event of circumstances such as death, permanent disablement or cessation of employment.

### Non-Executive Director Fee Sacrifice Plan

The adoption of this plan was approved by the Board on 25 May 2023. Under this plan, Directors elect to participate by sacrificing a specified percentage (between 20% to 100%) of their total fees. The first Participation Period is the 12-month period beginning on 1 July 2023 and ending 30 June 2024.

## Notes to the Financial Statements (continued)

### 21 Share-Based Payments (continued)

#### LTI program performance rights

The Company has also issued performance rights to senior executives, as part of a long-term incentive program. These performance rights may be eligible to vest as QANTM shares subject to achievement of a performance hurdle (a compound annual growth rate of between 5% and 15% in earnings per share) measured over a period of three QANTM financial years. These performance rights were also issued under the Company's Employee Incentive Plan.

On 8 December 2021, 760,963 performance rights were issued, 570,174 of those to the CEO/MD relating to his contractual Long Term Incentive entitlement for FY21 and FY22. The terms of issue for those performance rights are detailed in the Notice of Meeting for QANTM's 2021 Annual General Meeting. The remaining 190,789 performance rights issued on 8 December 2021 were issued to other senior executives.

On 1 December 2022, 666,000 performance rights were issued, 452,000 of those to the CEO and CFO relating to their contractual Long Term Incentive entitlement for FY23. The terms of issue for those performance rights are detailed in the Notice of Meeting for QANTM's 2022 Annual General Meeting. The remaining 214,000 performance rights issued on 1 December 2022 were issued to other senior executives.

#### Movements during the year

	2023		2022	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
		\$		\$
<b>Performance rights outstanding as at 1 July</b>	<b>765,119</b>	-	397,600	-
Granted during the year ending 30 June 2023 <sup>1</sup>	<b>666,000</b>	-	-	-
Granted during the year ending 30 June 2022	-	-	760,963	-
Performance rights forfeited <sup>2</sup>	<b>(194,945)</b>	-	(393,444)	-
<b>Performance rights outstanding as at 30 June</b>	<b>1,236,174</b>	-	765,119	-
Performance rights exercisable as at 30 June	-	-	-	-

1. On 1 December 2022, 666,000 of performance rights were issued to CEO, CFO and other senior executives.
2. On 7 October 2022 194,945 of performance rights were forfeited as vesting conditions were not met.

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

	2023	2022
	\$'000	\$'000
	\$	\$
Share based payment expense recognised during the year	<b>160</b>	240

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

## 22 Financial Risk Management

### Objectives, policies and processes

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including foreign currency risk and interest rate risk) and liquidity 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 aging analysis for credit risk.

### 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. An expected credit loss allowance is measured and recognised against the carrying amount of trade receivables. The Group does not have any material credit risk exposure to any single debtor or group of debtors and does not hold any collateral.

### 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 2023</b>		
Asset exposure	18,836	12,488
Liabilities exposure	(4,391)	(2,911)
<b>Net exposure</b>	<b>14,445</b>	<b>9,577</b>
USD Loan	(12,249)	(8,121)
<b>Mitigated net exposure</b>	<b>2,196</b>	<b>1,456</b>
<b>30 June 2022</b>		
Asset exposure	17,367	11,964
Liabilities exposure	(3,407)	(2,347)
<b>Net exposure</b>	<b>13,960</b>	<b>9,617</b>
USD Loan	(14,205)	(9,786)
<b>Mitigated net exposure</b>	<b>(245)</b>	<b>(169)</b>

## Notes to the Financial Statements (continued)

### 22 Financial Risk Management (continued)

#### Market risk (continued)

##### Foreign currency risk (continued)

##### Sensitivity analysis

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

	Increase / (Decrease)	2023 EBITDA impact 000's	2023 NPAT impact 000's
		\$	\$
Change in AUD/USD exchange rate	1 cents / (1 cents)	815	570

##### 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.

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

	2023		2022	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank loans	7.16%	32,249	4.03	31,174
<b>Net exposure to cash flow interest rate risk</b>		<b>32,249</b>		<b>31,174</b>

Maturity of notional amounts	Effective Average Fixed Interest Rate Payable		Notional Principal	
	2023	2022	2023	2022
	%	%	\$'000	\$'000
1 to 2 years	7.16%	4.03	32,249	31,174

## 23 Parent Entity

Set out below is the supplementary information about the parent entity. The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. See Note 1 for a summary of the material accounting policies relating to the Group.

	2023 \$'000	2022 \$'000
<b>Statement of Financial Position</b>		
Current assets	52,900	747
Total assets	112,073	98,948
Current liabilities	(14,972)	(6,310)
Total liabilities	(44,133)	(35,126)
<b>Net assets</b>	<b>67,940</b>	<b>63,822</b>
<b>Equity</b>		
Issued capital	300,128	298,948
Reserves	(225,191)	(225,270)
Accumulated losses	(6,997)	(9,856)
Total equity	<b>67,940</b>	<b>63,822</b>
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Total profit or loss for the year	11,149	6,452
Total comprehensive income	11,149	6,452

### 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 24.

### Contingent Liabilities

At 30 June 2023 and 30 June 2022, bank guarantees in respect of property leases were maintained. Further details of the contingent liabilities are disclosed in Note 28.

### Contractual Commitments

The parent entity does not have any material contractual commitments as at 30 June 2023 or 30 June 2022.

### Company Details

The registered office of the Company is:

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



## Notes to the Financial Statements (continued)

### 24 Interests in Subsidiaries

#### Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%) <sup>1</sup> 2023	Percentage Owned (%) <sup>1</sup> 2022
<b>Subsidiaries:</b>			
DCC Advanz Sdn Bhd <sup>4</sup>	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
DCC Hong Kong Ltd	Hong Kong	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 IP Pty Ltd <sup>3</sup>	Australia	100	100
Sortify.tm Pty Ltd	New Zealand	100	100
Trademark Planet Ltd	New Zealand	100	100

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

<sup>2</sup> Members of the cross-guarantee group. Refer to Note 25

<sup>3</sup> As Trustee for the Cotters Unit Trust

<sup>4</sup> Formerly known as Advanz Fidelis IP Sdn Bhd

### 25 Deed of Cross-Guarantee

The members of the Group party to the deed of cross guarantee are detailed in Note 24. 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:

	2023 \$'000	2022 \$'000
<b>Statement of profit or loss and other comprehensive income</b>		
Service charges	94,143	88,811
Associate charges	30,430	28,950
<b>Total revenue</b>	<b>124,573</b>	<b>117,761</b>
Other income	1,628	2,608
Employee benefits expense	(55,564)	(56,031)
Recoverable expenses	(28,681)	(27,080)
Occupancy expenses	(1,315)	(1,525)
Technology expenses	(8,319)	(7,887)
Business acquisition costs	(146)	(1,100)
Impairment expense	(500)	-
Other expenses	(9,638)	(7,141)
<b>Earnings before depreciation and amortisation, finance costs and income tax</b>	<b>22,038</b>	<b>19,605</b>
Depreciation and amortisation	(7,617)	(8,013)
<b>Earnings before finance costs and income tax</b>	<b>14,421</b>	<b>11,592</b>
Finance costs	(3,573)	(2,345)
<b>Profit before income tax</b>	<b>10,848</b>	<b>9,247</b>
Income tax expense	(3,617)	(3,199)
<b>Net profit for the year</b>	<b>7,231</b>	<b>6,048</b>
<b>Total comprehensive income for the year</b>	<b>7,231</b>	<b>6,048</b>

25 Deed of Cross-Guarantee (continued)

	2023	2022
	\$'000	\$'000
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,951	4,809
Trade and other receivables	36,987	35,729
Other assets	6,374	3,746
Current tax asset	-	557
<b>Total current assets</b>	<b>49,312</b>	<b>44,841</b>
<b>Non-current assets</b>		
Property, plant and equipment	2,679	1,496
Right-of-use asset	9,621	8,433
Intangible assets	80,379	84,266
<b>Total non-current assets</b>	<b>92,679</b>	<b>94,195</b>
<b>Total assets</b>	<b>141,991</b>	<b>139,036</b>
<b>Current liabilities</b>		
Trade and other payables	13,616	12,982
Provisions	8,029	7,939
Borrowings	3,017	3,621
Lease liabilities	3,253	3,617
Other financial liabilities	1,463	1,500
Current income tax liabilities	1,110	-
<b>Total current liabilities</b>	<b>30,488</b>	<b>29,659</b>
<b>Non-current liabilities</b>		
Provisions	226	226
Borrowings	29,232	27,553
Lease liabilities	8,177	7,075
Other financial liabilities	-	1,228
Deferred tax liabilities	2,354	3,587
<b>Total non-current liabilities</b>	<b>39,989</b>	<b>39,669</b>
<b>Total liabilities</b>	<b>70,477</b>	<b>69,328</b>
<b>Net assets</b>	<b>71,514</b>	<b>69,708</b>
<b>Equity</b>		
Issued capital	299,277	297,614
Reserves & Non-controlling interest	(223,768)	(224,052)
Accumulated losses	(3,995)	(3,854)
<b>Total equity</b>	<b>71,514</b>	<b>69,708</b>

## Notes to the Financial Statements (continued)

### 26 Related Parties

#### Parent entity

The immediate parent and ultimate controlling party is QANTM Intellectual Property Limited.

#### Subsidiaries

Interests in subsidiaries are set out in Note 24. Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

#### Key management personnel

Disclosures relating to key management personnel are set out in Note 27 and the remuneration report in the Directors' Report.

### 27 Key Management Personnel Disclosures

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

	2023 \$'000	2022 \$'000
Short-term employee benefits	1,870	1,721
Post-employment benefits	74	62
Other long-term benefits	39	16
<b>Total KMP compensation</b>	<b>1,982</b>	<b>1,799</b>

### 28 Contingent Liabilities

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

Bank guarantees in respect of property leases	<b>2,898</b>	2,309
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## 29 Cash Flow Information

(a) Reconciliation of net income for the year to cash flows from operating activities	2023 \$'000	2022 \$'000
Reconciliation of net income to net cash provided by operating activities:		
Profit for the year after income tax	7,857	7,142
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- Depreciation and amortisation	7,784	8,202
- Share based payments	160	298
- Bad debt expense	1,268	377
- Impairment expense	500	-
- Interest expense on lease liabilities	442	708
- Discounting of earnout	235	-
- Other non-cash movements	571	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- increase in trade and other receivables	(4,375)	(2,318)
- increase in other assets	(470)	146
- increase in trade and other payables	1,699	616
- increase in provisions	196	74
- increase in income tax payable	1,670	82
- decrease in deferred tax balances	(1,220)	699
Cash flow from operations	<u>16,317</u>	<u>16,026</u>

### (b) Reconciliation of liabilities arising from financing activities

	1 July 2022 \$'000	Cash flows \$'000	Acquisition \$'000	Other \$'000	30 June 2023 \$'000
Bank loans	31,174	444	-	631	32,249
Lease liabilities	10,974	(4,123)	-	4,835	11,686
Total liabilities from financing activities	<u>42,148</u>	<u>(3,679)</u>	-	<u>5,466</u>	<u>43,935</u>

## Notes to the Financial Statements (continued)

	2023 \$	2022 \$
<b>30 Auditors' Remuneration</b>		
<b>RSM and related network firms</b>		
Audit or review of financial reports:		
- Group	160,000	-
Other assurance services	-	-
	<u>160,000</u>	<u>-</u>
<b>Deloitte and related network firms</b>		
Audit or review of financial reports:		
- Group	-	242,500
Other assurance services	-	20,000
	<u>-</u>	<u>262,500</u>
<b>Other auditors and their related network firms</b>		
Audit or review of financial reports:		
- Subsidiaries	67,378	71,545
Accounting services	-	-
	<u>67,378</u>	<u>71,545</u>

The auditor of QANTM Intellectual Property Limited is RSM Australia Partners (2022: Deloitte).

### 31 Events Occurring After the Reporting Date

There has not been any matter or circumstance occurring subsequent to the end of the financial year, 30 June 2023, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the Group.

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# Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2023 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 24 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.

Chair:   
.....  
Sonia Petering

Dated this 24th day of August 2023

# Independent Auditor's Report

To the Members of QANTM Intellectual Property Limited



**RSM Australia Partners**

Level 21, 55 Collins Street Melbourne VIC 3000  
PO Box 248 Collins Street West VIC 8007

T +61(0) 3 9286 8000  
F +61(0) 3 9286 8199

[www.rsm.com.au](http://www.rsm.com.au)

## INDEPENDENT AUDITOR'S REPORT

To the Members of QANTM Intellectual Property Limited

### 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 2023, the consolidated statement of 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 2023 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

### THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.  
RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation







**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 of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
<p><b><i>Impairment of goodwill and intangible assets</i></b> Refer to Note 10 in the financial statements</p>	
<p>The Group has net book value goodwill of \$54.4m relating to its acquisition of subsidiaries and businesses as at 30 June 2023. We identified this area as a Key Audit Matter due to the size of the goodwill balance, and because the directors' assessment of the 'value in use' of the cash generating unit ("CGU") involves judgements about the future underlying cash flows of the business and the discount rates applied to them.</p> <p>For the year ended 30 June 2023 management have performed an impairment assessment over the goodwill balance by:</p> <ul style="list-style-type: none"> <li>• calculating the value in use for each CGU using a discounted cash flow model. These models used cash flows (revenues, expenses and capital expenditure) for each CGU for 5 years, with a terminal growth rate applied to the 5th year. These cash flows were then discounted to net present value using the Company's weighted average cost of capital (WACC); and</li> <li>• comparing the resulting value in use of each CGU to their respective book values.</li> </ul> <p>Management has applied judgement to determine their best estimate for the assumptions within the discounted cash flow model.</p>	<p>Our audit procedures in relation to management's impairment assessment included:</p> <ul style="list-style-type: none"> <li>• Assessing management's determination that the goodwill should be allocated to CGUs based on the nature of the Group's business and the manner in which results are monitored and reported;</li> <li>• Assessing the objectivity and competence of management's valuation specialist in relation to one of the CGUs;</li> <li>• Assessing the valuation methodology used;</li> <li>• Challenging the reasonableness of key assumptions, including the cash flow projections, exchange rates, discount rates, and sensitivities used; and</li> <li>• Checking the mathematical accuracy of the cash flow model, and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.</li> </ul>

## Independent Auditor's Report (continued)



### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **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 have 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf) This description forms part of our auditor's report.



**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 41 to 50 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of QANTM Intellectual Property Limited., for the year ended 30 June 2023, 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.

A handwritten signature in blue ink, appearing to read 'J S Croall'.

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink, appearing to read 'J S Croall'.

**J S CROALL**

Partner

Dated: 24 August 2023  
Melbourne, Victoria

## 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 16 August 2023.

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	128	119,347,296	86.05
10,001 to 100,000	492	16,240,216	11.71
5,001 to 10,000	211	1,752,338	1.26
1,001 to 5,000	375	1,156,206	0.83
1 to 1,000	425	203,711	0.15
<b>Total</b>	<b>1,631</b>	<b>138,699,767</b>	<b>100.00</b>

#### Less than marketable parcels of ordinary shares

There are 337 shareholders with unmarketable parcels totalling 126,016 shares.

## 20 Largest Shareholders

The twenty largest shareholders of quoted equity securities as at 16 August 2023 are as follows:

		Number of fully paid Ordinary Shares	% of issued Capital
1	Citicorp Nominees Pty Ltd	8,061,997	5.81
2	HSBC Custody Nominees (Australia) Limited	7,928,210	5.72
3	Argo Investments Limited	6,716,894	4.84
4	Equity Plan Services Pty Ltd	6,604,105	4.76
5	First City Nominees Pty Ltd <NO 2 A/C>	5,221,380	3.76
6	John Dower	2,888,884	2.08
7	National Nominees Limited	2,431,091	1.75
8	Mr Leon Keith Allen + Mrs Kerry Ann Allen <Kerralee Super Fund A/C>	2,037,227	1.47
9	Curpsi Pty Ltd	2,037,226	1.47
9	Fordham Pty Ltd	2,037,226	1.47
9	Gnarwarre Investments Pty Ltd	2,037,226	1.47
9	Loughnan Hill Pty Ltd	2,037,226	1.47
9	Macrophage Pty Ltd	2,037,226	1.47
9	Oakvale Pty Ltd	2,037,226	1.47
9	Petrob Holdings Pty Ltd	2,037,226	1.47
9	Rezinlow Holdings Pty Ltd	2,037,226	1.47
9	Rocky Road Pty Ltd	2,037,226	1.47
9	Sybarite Pty Ltd	2,037,226	1.47
9	Woodcastle Pty Ltd	2,037,226	1.47
20	Sambold Pty Ltd <Sunshine Super Fund A/C>	2,000,000	1.44
	Totals	<b>66,299,274</b>	
	Total Remaining Holders Balance	77,400,493	52.20%
	<b>Total Quoted Equity Securities</b>	<b>138,699,767</b>	<b>100%</b>

### Unquoted Equity Securities

During FY23 the Group issued 666,000 performance rights to 3 group executives. Details of timing and conditions for vesting are detailed in Note 21. During FY23, 194,945 performance rights previously issued to 2 group executives lapsed with cessation of employment.

## Additional Information (continued)

### Substantial Shareholders

As at 16 August 2023, 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
Nil		

### Restricted Securities

The Company had the following restricted securities on issue as at 16 August 2023:

Class	Type of Restriction	Number of Securities	% of issued capital	End Date of Escrow Period
Ordinary Shares	Voluntary Escrow	877,192	0.632%	30 Nov 2023
<b>Total Escrowed Shares</b>		<b>877,192</b>		

### 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.

# 5 Year Financial Summary<sup>1</sup>

	FY23	FY22	FY21	FY20	FY19
<b>Underlying Results Summary (\$m)</b>					
Service charges revenue	103.8	96.6	92.4	90.3	86.5
Associate charges revenue <sup>2</sup>	33.2	30.7	26.7	26.3	25.7
Total Revenue	137.0	127.3	119.1	116.6	112.2
<b>Total Net Revenue (other income, less recoverable expenses)</b>	<b>108.3</b>	<b>101.2</b>	<b>95.6</b>	<b>94.0</b>	<b>90.3</b>
Operating expenses	79.9	74.9	69.5	66.1	67.1
EBITDA pre FX	29.1	25.4	27.2	27.9	23.2
EBITDA after FX	28.5	26.3	26.1	27.1	24.0
Depreciation and amortisation	4.5	5.8	6.0	6.8	2.2
Group EBIT	24.0	20.5	20.1	20.3	21.8
Net interest costs and bank charges	3.6	2.4	1.6	1.5	1.0
Profit before tax	20.4	18.1	18.5	18.8	20.8
Tax expense	5.7	5.3	5.0	5.3	6.0
Net Profit after Tax	14.7	12.8	13.5	13.5	14.8
Operating Cash Flow	16.3	16.0	19.8	15.1	14.6
Net debt	24.2	23.8	16.2	17.4	11.1
<b>Capital and Dividends</b>					
Ordinary shares on issue (millions)	138,552,242	137,498,622	136,059,964	134,298,552	133,050,724
Dividends per share for year (cents)	6.3	6.5	7.4	7.1	8.3
Franking level (per cent)	100	100	100	100	100
Opening share price (\$)	0.95	1.15	1.18	1.42	1.05
Closing share price (\$)	0.84	0.95	1.15	1.18	1.42
<b>Financial Ratios</b>					
EBITDA/Total revenue (per cent)	20.8	20.7	21.9	23.2	21.4
EBITDA/Service charges revenue (per cent)	27.5	27.2	28.2	30.0	27.7
Interest cover (EBITDA/net interest expense) times	8	11.0	16.3	18.0	26.7
Basic earnings per share (cents)	5.69	5.32	7.71	7.18	8.42
Return on equity – statutory (per cent)	10.9	9.9	14.2	13.2	15.9
Return on equity – underlying (per cent)	20.3	17.8	18.5	18.9	21.0
Gearing (net debt/net debt + equity) (per cent)	25.1	24.8	18.1	19.6	13.6
<b>Financial Position as at 30 June (\$m)</b>					
Total assets	145.7	142.7	135.0	135.4	107.0
Total liabilities	73.4	70.8	62.2	64.3	36.4
Net assets/shareholders' equity	72.3	71.9	72.8	71.2	70.6

1 The above reflects underlying results to facilitate comparisons period to period. A reconciliation of statutory to underlying results for FY23 is included in Note 5 of the Directors' Report. The Financial Summary Table reflects adoption of AASB16 Leases for FY20 and FY21, and due to the updates made to the FY20 figures they will not tie to those which were disclosed in the "Four-Year Financial Summary" as per the FY20 annual report. The FY18-FY19 remain as stated pre AASB16 is included in Note 5 of the Directors' Report.

2 Associate charges relate to revenue from recharging the cost of foreign agents that lodge applications in countries outside those in which QANTM acts; the revenue is offset by recoverable expenses as detailed.

# Corporate Directory

## Company Details

QANTM Intellectual  
Property Limited  
ACN: 612 441 326  
ASX: QIP

## Registered Office

Level 15, 1 Nicholson Street  
Melbourne VIC 3002  
Australia  
Telephone: +61 3 9254 2666  
Email: [info@qantmip.com](mailto:info@qantmip.com)

## Postal Address

GPO Box 4387  
Melbourne VIC 3001

## Directors

Sonia Petering,  
Non-executive Chair

Craig Dower,  
CEO and Managing Director

Leon Allen,  
Non-executive Director

Gavin Bell,  
Non-executive Director

Kathy Gramp,  
Non-executive Director

## Company Secretary

Krista Stewart, General Counsel  
and Company Secretary

## Share Registry Services

Shareholders who require  
information about their  
shareholdings, dividend  
payments or related administrative  
matters should contact the  
company's share registry.

Computershare Investor  
Services Pty Limited

452 Johnston Street  
Abbotsford VIC 3001

Telephone from within Australia:  
1300 850 505

Telephone from outside Australia:  
+61 3 9415 4000

Each enquiry should refer to  
the shareholder number which  
is shown on issuer-sponsored  
holding statements and  
dividend statements.

## Auditor

RSM Australia Partners  
Level 21, 55 Collins Street  
Melbourne, Victoria, 3000

## Solicitor

MinterEllison  
Level 23, Rialto Towers  
525 Collins Street  
Melbourne VIC 3000

## Website

[www.qantmip.com](http://www.qantmip.com)

## Notice Of Annual General Meeting

QANTM's Annual General Meeting  
of Shareholders will be held on  
Friday, 24 November, 2023 at 10:00  
am Australian Eastern Daylight  
Time. Shareholders and guests  
are invited to attend the physical  
Meeting at the RACV City Club,  
Level 2, Bourke Rooms 2-3, 501  
Bourke Street, Melbourne, Victoria,  
3000, or virtually at [https://  
meetnow.global/MVF7LZT](https://meetnow.global/MVF7LZT).

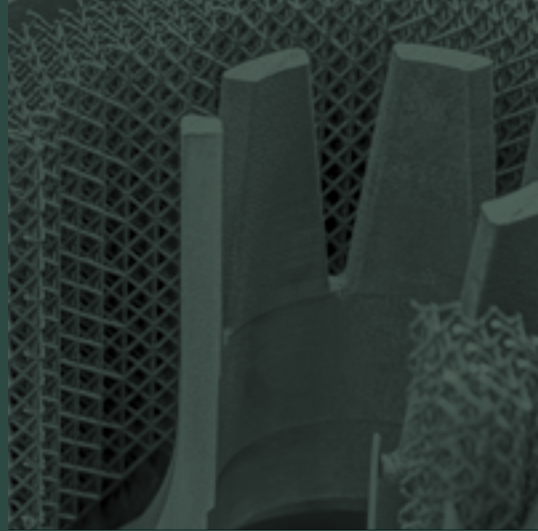
Further information on how to  
participate in the physical and  
virtual Meeting is available on the  
Company's website at [www.  
qantmip.com](http://www.qantmip.com)

## Corporate Governance Statement

The Corporate Governance  
Statement, as at 23 October 2023,  
has been approved by the Board  
and is available for review on  
the Company's website ([www.  
qantmip.com](http://www.qantmip.com)).







qantmip.com