

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

## Financial report for the year ended 31 December 2023

APPENDIX 4D – PRELIMINARY FINAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2023

### Results for Announcement to the Market

Key Information		31 Dec 2023	31 Dec 2022	Change
		\$'000	\$'000	%
Revenue from ordinary activities	Up	74,219	68,628	8.1
Underlying EBITDA	Up	17,316	13,772	25.7
Statutory net profit from ordinary activities after tax attributable to members	Up	7,373	3,395	117.2
Total comprehensive income attributable to members	Up	7,464	3,507	112.8

Dividends Paid and Proposed	Amount per Security	Fully Franked Amount per Security
<b>Ordinary shares:</b>		
2024 interim ordinary dividend declared 19 February 2024	4.9 cents	4.9 cents
2023 interim ordinary dividend paid 5 April 2023	2.8 cents	2.8 cents
Record date for determining entitlements to the interim dividend		26 February 2024
Payment date		3 April 2024

Net Tangible Assets per Share	2023 cents per share	2022 cents per share
Net tangible assets per ordinary share	(\$0.0)	(\$0.00)

#### Commentary on Results

Commentary on results is contained in the Operational and Financial Review section of the Directors Report.

#### Other information required by Listing Rule 4.3A

Other information requiring disclosure under listing rule 4.3A is provided in the Financial Report.

#### Dividend Reinvestment Plan

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

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

There was no entity that QANTM gained or lost control over during the financial year.

#### Audit Report

The audit report is contained in the attached financial statements.

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

ACN: 612 441 326

**Financial Report**

**For the Half Year Ended 31 December 2023**

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# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## DIRECTORS' REPORT

for the half year ended 31 December 2023

The Directors of QANTM Intellectual Property Limited (the Company or QANTM) present the half-year financial report of the Company and its controlled entities (the Group or QANTM Group) for the six months ended 31 December 2023. To comply with the provisions of the *Corporations Act 2001*, the Directors' report follows.

### 1. Principal Activities

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, 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, the United Kingdom and Benelux, 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).

**DIRECTORS' REPORT**

for the half year ended 31 December 2023

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 31 December 2023, the QANTM Group had a total of 384 employees.

**2. Directors**

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

<b>Names</b>	<b>Position</b>
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)

## **DIRECTORS' REPORT**

for the half year ended 31 December 2023

### **3. Operational and financial review<sup>1</sup>**

The Group's performance in 1H24 is underpinned by increased revenue whilst maintaining strict cost management from continued improved financial disciplines, leading to the achievement of improved margins.

The Group's total revenue for 1H24 was higher at \$74.2 million, compared with \$68.6 million for the 6-month period ended 31 December 2022 (1H23). Net revenue, after other income and recoverable expenses from associate charges, was \$58.8 million compared with \$54.1 million for 1H23.

The Group's total operating expenses (excluding recoverable expenses) were \$42.8 million in 1H24, compared with \$42.8 million in 1H23. Included in the expenses is a balance sheet related foreign exchange loss of \$0.1 million. Underlying total operating expenses were \$41.5 million, compared with \$40.3 million in 1H23.

Consolidated EBITDA was higher at \$16.0 million compared with \$11.2 million EBITDA for 1H23. Underlying EBITDA was higher in 1H24 at \$17.3 million (1H23: \$13.8 million).

The Group's net profit after tax (NPAT) was \$7.4 million, compared with \$3.4 million in 1H23. Underlying NPAT was \$9.6 million, compared with underlying NPAT in 1H23 of \$6.7 million (refer to the table in section 4 for a reconciliation from statutory NPAT to underlying NPAT).

Net debt as at 31 December 2023 was \$21.2 million, compared with \$24.2 million as at 30 June 2023. Gearing (net debt/net debt + book equity) at 31 December 2023 was 21.7% (30 June 2023: 25.1%).

In line with the Company's dividend payment policy, Directors determined a 1H24 dividend payment of 4.9 cents per share, fully franked. The 1H23 interim dividend payment was 2.8 cents per share, fully franked.

Principal operational and business activities during the year included:

- Continued improved financial disciplines: a more rigorous approach to setting and monitoring KPIs across the Group, improved cash management, improved financial reporting, and increased transparency at all levels of business operations.
- 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, including: upgrade of our core IP platforms to the latest versions (incorporating a new platform architecture which will facilitate easier future upgrades as well as further innovation); establishing an in-house service desk to provide improved technology support to all employees; upgrade of our document management systems; and selection of a new finance platform.
- 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.
- Developing an AI strategy and policy framework, which will leverage the capabilities of the Sortify.tm team, as well as tap into the capabilities of practitioners across the Group.
- 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.

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

**DIRECTORS' REPORT**

for the half year ended 31 December 2023

**3. Operational and financial review (continued)**

**3.1. Business conditions**

Patents contributed 66.5% of Group service charge revenue:

- Patents have continued strong growth period-on-period, as DCC and FPA recorded strong performance, with combined service charge revenue increasing by 6.6%.
- Overall Group patent applications decreased 13.8%, with new Australian patent application filings decreasing by 12.7%, in the context of an overall Australian patent market that remained flat.
- Australian patent application market share decreased to 14.4% compared with 16.5% in 1H23 in a period when the Australian market remained flat. Market share can be volatile from period to period.
- Group patent application filings in Asia decreased by 4.7%. Asia represents 16.8% of total Group patent applications.
- Rest of World patent applications (22.6% of the Group total) decreased by 21.5% off historical highs.

Trade marks recorded strong growth of 7.0% in service charges (19.5% of the Group total):

- Trade mark applications for the Group increased by 12.8%, reflecting the continued growth of Sortify.tm
- Australian trade mark applications (53% of the Group total) increased by 6.2%.
- New Zealand applications (19% of the Group total) increased 36.9%.
- Asian applications (9% of the Group total) increased 97.4% driven by the growth of Sortify.tm and DCC's entry into Hong Kong.

Whilst patent and trade mark filings can be a useful indicator, they are one component of total revenue: they usually represent only 10% - 15% of our revenue in any given period, and they need to be looked at over a longer cycle (e.g. 12-24 months), as they can fluctuate when looked at on a monthly, quarterly, or even a 6-month basis.

Sortify.tm 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 #3 in Australia and the #3 market position in New Zealand.

Legal and litigation services revenue contribution (14% of the Group total) was 27.3% higher due to a strong caseload and expanding team.

**3.2. Financial results – Key elements**

The main features of the half year financial results are provided below:

**Revenue**

The Group's total revenue (service charges and associate charges) was \$74.2 million (1H23: \$68.6 million).

Total net revenue of \$58.8 million (1H23: \$54.1 million) is after recoverable expenses from associate charges of \$16.6 million (1H23: \$15.7 million).

Services charges increased by 9.2% to \$56.8 million (1H23: \$52.0 million), comprising the following main components:

- Patent services charges (66.5% of total QANTM services charges) of \$37.8 million (1H23: \$35.4 million);
- Trade mark services charges (19.5% of QANTM's services charges) of \$11.1 million (1H23: \$10.4 million);
- Legal revenue (14% of QANTM's total) of \$7.9 million (1H23: \$6.2 million).

**DIRECTORS' REPORT**

for the half year ended 31 December 2023

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

#### **Expenses**

Total underlying operating expenses were \$41.5 million, a \$1.1 million or 2.7% increase from the prior comparative period (1H23: \$40.3 million). Higher underlying expenditure related to a \$0.5 million increase in technology expenses due to cloud hosting implemented in January 2023 and \$0.5 million investment in employee compensation.

#### **EBITDA and EBITDA margin**

Statutory EBITDA was \$16.0 million (1H23: \$11.2 million), including a balance sheet related foreign exchange loss of \$0.1m. Statutory EBITDA margin (on service charges) was 28.2% (1H23: 21.6%).

Underlying EBITDA was \$17.3 million (1H23: \$13.8 million). The \$3.5 million increase in EBITDA from the prior comparative period is in the context of strong growth of \$4.7 million in net revenue, offset slightly by increased investment in technology of \$0.5 million and \$0.5 million increase in employee compensation. The underlying EBITDA margin (on service charges) was 30.6% (1H23: 26.5%).

#### **Depreciation and amortisation**

Depreciation and amortisation in 1H24 was \$3.6 million compared with \$4.3 million in 1H23. The decrease was mainly due to the accelerated amortisation of Cotters brand name in 1H23 and decreased leasing costs during the year.

#### **Net profit after tax (NPAT)**

Statutory net profit after tax was \$7.4 million (1H23: \$3.4 million), a 117.2% increase. Earnings per share was 5.29 cents (1H23: 2.47 cents).

Underlying net profit after tax was \$9.6 million (1H23: \$6.7 million), a 43.4% increase. Refer to section 4 for a reconciliation from statutory to underlying NPAT.

#### **Finance costs and net debt**

Finance charges in 1H24 were \$1.7 million. The Company held total bank facilities of \$67 million and had \$27.4 million drawn as at 31 December 2023 with \$6.2 million cash on hand. As at 31 December 2023 the Company had net debt of \$21.2 million. The Company continues to comply with the financial covenants of its facility agreement.

#### **Operating cash flow**

Cash flow provided by operating activities for the year was \$10.9 million (1H23: \$2.2 million), with a net decrease of \$1.8 million after investing and financing activities.

#### **Net assets**

The net assets of the Group have increased by \$4.4 million, from \$72.3 million at 30 June 2023 to \$76.7 million at 31 December 2023. Trade and other receivables decreased by \$3.1 million and trade and other payables decreased by \$4.6 million. Net debt decreased by \$3.0 million.

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 half year are adjusted for various items, with a net total of \$1.3 million (1H23: \$2.5 million). These items are not considered recurring or representative of the standard day to day operations of the Group. These included technology costs, business acquisition costs and one-off restructuring costs. Refer to section 4 for a reconciliation of statutory net profit after tax ('NPAT') to underlying NPAT.



**DIRECTORS' REPORT**

for the half year ended 31 December 2023

**4. Net profit after tax<sup>2</sup>**

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

	Year ended	
	31-Dec-23 \$'000	31-Dec-22 \$'000
<b>Statutory NPAT</b>	<b>7,373</b>	<b>3,395</b>
add: interest	1,684	1,830
add: depreciation and amortisation	3,609	4,332
add: tax	3,360	1,688
<b>EBITDA – QANTM Group</b>	<b>16,026</b>	<b>11,245</b>
add: retention/restructuring payments	204	1,154
add: technology expenses	929	1,229
add: business acquisition costs	157	144
<b>Underlying EBITDA – QANTM Group</b>	<b>17,316</b>	<b>13,772</b>
less: depreciation and amortisation	(2,326)	(2,906)
less: interest	(1,684)	(1,572)
less: tax	(3,700)	(2,594)
<b>Underlying NPAT - QANTM Group</b>	<b>9,606</b>	<b>6,700</b>

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

**DIRECTORS' REPORT**

for the half year ended 31 December 2023

**5. Dividends paid or recommended**

For the half year ended 31 December 2023, the Directors resolved to approve a fully franked interim dividend of 4.9 cents per share (FY23 interim dividend of 2.8 cents per share, fully franked), to be paid on 3 April 2024 to all eligible shareholders on the Company's share register as at the record date of 26 February 2024. The dividend represents 80% of adjusted Statutory NPAT before amortisation of intangibles.

**6. 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.

**7. Non-audit services**

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

**8. Auditor's independence declaration**

The auditor's independence declaration, in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2023, has been received and can be found on page 9 of the half year financial report.

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

On behalf of the Board of Directors



.....  
Sonia Petering  
Chair of the Board of Directors

Dated this 19<sup>th</sup> day of February 2024

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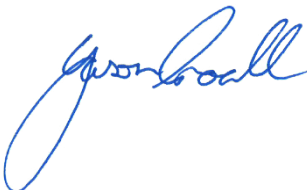
## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of QANTM Intellectual Property Limited and controlled entities for the half year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.



**RSM AUSTRALIA PARTNERS**



**J S CROALL**

Partner

Dated: 19 February 2024  
Melbourne, Victoria

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## INDEPENDENT AUDITOR'S REVIEW REPORT To the Members of QANTM Intellectual Property Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of QANTM Intellectual Property Limited ('the Company') and its controlled entities (together 'the Group') which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* ('ASRE 2410'). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual 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 review report.

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### *Directors' Responsibility for the Half-Year Financial Report*

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

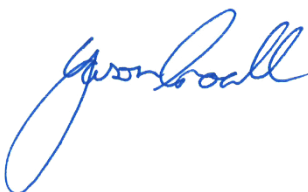
### *Auditor's Responsibility for the Review of the Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



**RSM AUSTRALIA PARTNERS**



**J S CROALL**  
Partner

Dated: 19 February 2024  
Melbourne, Victoria

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

for the half year ended 31 December 2023

	Note	Half Year ended	
		31-Dec-23 \$'000	31-Dec-22 \$'000
Service charges		56,783	52,012
Associate charges		17,436	16,616
<b>Total revenue</b>	<b>4</b>	<b>74,219</b>	<b>68,628</b>
Other Income		1,170	1,179
Employee benefits expenses		(32,264)	(32,714)
Recoverable expenses		(16,622)	(15,725)
Business acquisition expenses		(157)	(144)
Technology expenses		(4,111)	(3,915)
Other expenses		(6,209)	(6,062)
<b>Earnings before finance costs, income tax, depreciation and amortisation</b>		<b>16,026</b>	<b>11,245</b>
Depreciation and amortisation		(3,609)	(4,332)
<b>Profit before finance costs and income tax</b>		<b>12,417</b>	<b>6,913</b>
Net finance costs		(1,684)	(1,830)
<b>Profit before income tax</b>		<b>10,733</b>	<b>5,083</b>
Income tax expense		(3,360)	(1,688)
<b>Net profit for the period</b>		<b>7,373</b>	<b>3,395</b>
<b>Other comprehensive income / (loss), net of income tax</b>			
Exchange differences on translating foreign operations		91	112
<b>Total comprehensive income for the period</b>		<b>7,464</b>	<b>3,507</b>
<b>Net profit attributable to:</b>			
Members of the parent entity		7,373	3,395
Non-controlling interests		-	-
		<b>7,373</b>	<b>3,395</b>
<b>Total comprehensive income attributable to:</b>			
Members of the parent entity		7,464	3,507
Non-controlling interests		-	-
		<b>7,464</b>	<b>3,507</b>
<b>Earnings per share</b>		<b>cents per share</b>	<b>cents per share</b>
Basic (cents per share)		5.29	2.47
Diluted (cents per share)		5.27	2.45

The accompanying notes on pages 16 to 20 form part of this half year financial report

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Note	31-Dec-23 \$'000	30-Jun-23 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		6,190	8,021
Trade and other receivables		38,842	41,891
Other assets		3,270	2,252
<b>TOTAL CURRENT ASSETS</b>		<b>48,302</b>	<b>52,164</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,258	2,761
Right-of-use asset		9,731	9,853
Intangible assets		79,749	80,910
<b>TOTAL NON-CURRENT ASSETS</b>		<b>92,738</b>	<b>93,524</b>
<b>TOTAL ASSETS</b>		<b>141,040</b>	<b>145,688</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		11,075	15,742
Provisions		8,565	8,224
Borrowings	10	2,924	3,017
Lease liability		3,664	3,273
Other financial liabilities		1,000	1,463
Current tax liability		2,197	1,496
<b>TOTAL CURRENT LIABILITIES</b>		<b>29,425</b>	<b>33,215</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		696	226
Borrowings	10	24,487	29,232
Lease liability		7,792	8,413
Other financial liability		-	-
Deferred tax liability		1,892	2,321
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>34,867</b>	<b>40,192</b>
<b>TOTAL LIABILITIES</b>		<b>64,292</b>	<b>73,407</b>
<b>NET ASSETS</b>		<b>76,748</b>	<b>72,281</b>
<b>EQUITY</b>			
Issued capital	7	301,652	300,128
Reserves		(222,808)	(223,232)
Non-controlling interest		-	(416)
Accumulated losses		(2,096)	(4,199)
<b>TOTAL EQUITY</b>		<b>76,748</b>	<b>72,281</b>

The accompanying notes on pages 16 to 20 form part of this half year financial report.

# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the half year ended 31 December 2023

	Issued Capital	Reorg. Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Non – Controlling Interest	Acc. Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening 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 period	-	-	-	-	-	3,395	3,395
Other comprehensive income for the period	-	-	-	112	-	-	112
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>112</b>	<b>-</b>	<b>3,395</b>	<b>3,507</b>
Shares issued during the year	-	-	-	-	-	-	-
Issued capital from Sortify.tm Acquisition	1,000	-	-	-	-	-	1,000
Share based payment	-	-	87	-	-	-	87
Performance rights	80	-	(80)	-	-	-	-
Dividends paid	-	-	-	-	-	(4,812)	(4,812)
<b>Closing balance at 31 December 2022</b>	<b>300,028</b>	<b>(222,856)</b>	<b>309</b>	<b>(557)</b>	<b>(416)</b>	<b>(4,781)</b>	<b>71,727</b>

	Issued Capital	Reorg. Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Non – Controlling Interest	Acc. Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Opening balance at 1 July 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>
Profit for the period	-	-	-	-	-	7,373	7,373
Other comprehensive income for the period	-	-	-	91	-	-	91
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91</b>	<b>-</b>	<b>7,373</b>	<b>7,464</b>
Shares issued during the year	1,294	-	-	-	-	-	1,294
Transfer between equity accounts	-	-	-	-	416	(416)	-
Issued capital from Sortify.tm Acquisition	-	-	-	-	-	-	-
Performance rights	-	-	563	-	-	-	563
Share based payment	230	-	(230)	-	-	-	-
Dividends paid	-	-	-	-	-	(4,854)	(4,854)
<b>Closing balance at 31 December 2023</b>	<b>301,652</b>	<b>(222,856)</b>	<b>715</b>	<b>(667)</b>	<b>-</b>	<b>(2,096)</b>	<b>76,748</b>

The accompanying notes on pages 16 to 20 form part of this half year financial report.



# QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the half year ended 31 December 2023

	Half Year ended	
	31-Dec-23	31-Dec-22
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	84,175	69,755
Payments to suppliers and employees	(68,954)	(63,953)
Interest and costs of finance paid	(1,339)	(1,449)
Income tax paid	(2,977)	(2,160)
<b>Net cash provided by operating activities</b>	<b>10,905</b>	<b>2,193</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(939)	(1,971)
Payments for intangible assets	(299)	(286)
Payments for business acquisition related costs	(157)	(144)
Payments for business acquisition	(500)	(500)
<b>Net cash used in investing activities</b>	<b>(1,895)</b>	<b>(2,901)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bank borrowings	500	3,488
Repayment of bank borrowings	(4,495)	(1,539)
Payments of lease liability	(2,000)	(2,193)
Dividends paid	(4,854)	(4,812)
<b>Net cash used in financing activities</b>	<b>(10,849)</b>	<b>(5,056)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(1,839)</b>	<b>2,632</b>
Cash and cash equivalents at the beginning of the period	8,021	7,417
Effects of exchange rate changes on the balance of cash held in foreign currencies	8	3
<b>Cash and cash equivalents at the end of the period</b>	<b>6,190</b>	<b>1,655</b>

The accompanying notes on pages 16 to 20 form part of this half year financial report

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the half year ended 31 December 2023

### **NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Preparation**

These general purpose interim financial statements for the Half Year reporting period ended 31 December 2023 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. QANTM Intellectual Property Limited and its controlled entities ('the Group') is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2023, together with any public announcements made during the following half year.

The interim financial report has been prepared on an accruals and historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. The financial statements are presented in Australian dollars, the functional currency of the Group and are rounded off to the nearest thousand dollars, unless otherwise indicated.

#### **Accounting Policies**

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

#### **Critical Accounting Estimates and Judgements**

When preparing the interim financial statements, management undertakes a number of judgments, estimates, and assumptions about the recognition and measurement of assets, liabilities, income, and expenses. The actual results may differ from the judgments, estimates, and assumptions made by management, and will seldom equal the estimated results. The judgments, estimates, and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2023.

### **NOTE 2: DIVIDENDS**

On 19 February 2024, the directors approved a fully franked interim dividend of 4.9 cents per share in respect of the half-year ended 31 December 2023, to be paid on 3 April 2024 to all eligible shareholders on the Company's share register as at the record date of 26 February 2024. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$6.9 million.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the half year ended 31 December 2023

**NOTE 3: 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. Operations in New Zealand are included in the Australia segment.

Half Year ended	AUSTRALIA		ASIA		TOTAL	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Service charges	52,471	48,036	4,312	3,976	56,783	52,012
Associate charges	15,933	15,340	1,503	1,276	17,436	16,616
<b>Total Revenue</b>	<b>68,404</b>	<b>63,376</b>	<b>5,815</b>	<b>5,252</b>	<b>74,219</b>	<b>68,628</b>
Other Income	1,067	1,010	103	169	1,170	1,179
Less Recoverable Expenses	(15,131)	(14,607)	(1,491)	(1,118)	(16,622)	(15,725)
<b>Net Revenue</b>	<b>54,340</b>	<b>49,779</b>	<b>4,427</b>	<b>4,303</b>	<b>58,767</b>	<b>54,082</b>
Less Overheads	(39,465)	(39,719)	(3,119)	(2,974)	(42,584)	(42,693)
<b>Earnings Before Interest, Tax, Depreciation and Amortisation</b>	<b>14,875</b>	<b>10,060</b>	<b>1,308</b>	<b>1,329</b>	<b>16,183</b>	<b>11,389</b>
Depreciation	(426)	(465)	(20)	(35)	(446)	(500)
Amortisation	(2,828)	(3,532)	(335)	(300)	(3,163)	(3,832)
<b>Segment profit before finance costs and income tax</b>	<b>11,621</b>	<b>6,063</b>	<b>953</b>	<b>994</b>	<b>12,574</b>	<b>7,057</b>
<b>Adjustments to reconcile to statutory profit</b>						
Unallocated expenses					(157)	(144)
<b>Statutory profit before finance costs and income tax</b>					<b>12,417</b>	<b>6,913</b>
Finance costs					(1,684)	(1,830)
<b>Profit for the period before income tax</b>					<b>10,733</b>	<b>5,083</b>

**Major customers**

No single customer contributed 10% or more of the Group's revenue during either the Half Year ended 31 December 2023 or 31 December 2022.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the half year ended 31 December 2023

**NOTE 4: DISAGGREGATED REVENUE**

**Disaggregated revenue**

The Group has disaggregated revenue into various categories in the following table. The revenue is disaggregated by geographical market, service lines and timing of revenue recognition. This is consistent with the revenue information that is disclosed for each reportable segment under AASB 8 (see Note 3).

	Half Year ended	
	31-Dec-23	31-Dec-22
	\$'000	\$'000
<b>Timing of revenue recognition</b>		
At a point in time	49,796	46,814
Over time	24,423	21,814
	<u>74,219</u>	<u>68,628</u>

**NOTE 5: CONTINGENT LIABILITIES**

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

Bank guarantees in respect of property leases

	31-Dec-23	30-Jun-23
	\$'000	\$'000
	2,898	2,898
	<u>2,898</u>	<u>2,898</u>

**NOTE 6: EVENTS SUBSEQUENT TO BALANCE DATE**

Other than the dividend that the directors have resolved to pay as outlined in Note 2, no matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

**NOTE 7: ISSUED CAPITAL**

	31-Dec-23	30-Jun-23
	\$'000	\$'000
<b>Fully Paid Ordinary shares</b>	<u>301,652</u>	<u>300,128</u>
	<b>31-Dec-23</b>	<b>30-Jun-23</b>
	<b>No.</b>	<b>No.</b>
<b>At the beginning of the reporting period</b>	138,552,242	137,498,622
Shares issued during the year:		
Issued to employee share trust	1,317,088	-
Issued to employee	-	100,109
Issued for business acquisition	-	877,192
Issued to employee share schemes	181,525	76,319
<b>At the end of the reporting period</b>	<u>140,050,855</u>	<u>138,552,242</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the half year ended 31 December 2023

**NOTE 8: SHARE-BASED PAYMENTS**

**LTI program performance rights**

QANTM has issued performance rights to various senior executives under the Company's Employee Incentive Plan, in place since IPO in 2016 and summarised in the 2019 Notice of Annual General Meeting. Each performance right may be eligible to vest as a QANTM share subject to satisfaction of vesting conditions such as continued service, personal performance objectives and the Group's performance during the vesting period against metrics such as growth in earnings per share.

On 30 November 2023, 913,858 performance rights were issued, 479,494 of those were to the CEO & CFO relating to their contractual Long Term Incentive entitlement for FY24. The terms of issue for those performance rights are detailed in the 2023 Notice of Annual General Meeting. The remaining 434,364 of performance rights issued on 30 November 2023 were issued to other senior executives. On 19 December 2023, 356,470 performance rights were issued to other senior executives.

**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. There have been no additional executive performance rights issued for the half-year ended 31 December 2023.

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**

	Number	Weighted Average Exercise Price \$
<b>Performance rights outstanding as at 1 July</b>	<b>1,383,699</b>	-
Granted during the year <sup>1</sup>	1,270,328	-
Performance rights vested <sup>2</sup>	(181,525)	1.28908
Performance rights forfeited <sup>3</sup>	(285,087)	-
<b>Performance rights outstanding as at 31 December</b>	<b>2,187,415</b>	
Performance rights exercisable as at 31 December	-	

<sup>1</sup> On 30 November 2023, 913,858 of performance rights were issued to CEO, CFO and other senior executives. On 19 December 2023, 356,470 of performance rights were issued to other senior executives.

<sup>2</sup> On 8 August 2023 and 28 November 2023 a total of 181,525 performance rights vested.

<sup>3</sup> On 15 August 2023 285,087 of performance rights were forfeited as vesting conditions were not met.

**NOTE 9: Impairment**

In accordance with the Group's accounting policies and the requirements of AASB 136 *Impairment of Assets*, the Group performs its impairment testing at least annually for intangible assets with indefinite useful lives. The impairment testing is performed during June of each financial year. More frequent reviews are performed for indications of impairment of all the Group's assets including customer relationships and operating assets.

The Group has performed an indicator of impairment analysis for its Cash Generating Units. The Group took into account external and internal factors, including financial performance; review of key customers and employees; technological and market developments. No indicators of impairment were noted for the DCC and FPA CGUs. Impairment indicators were identified for the Sortify.tm CGU. The Group performed a full impairment test for the Sortify.tm CGU in line with the requirements of AASB 136 *Impairment of Assets*.

The recoverable amount of the Sortify.tm CGU is based on a Value-in-Use ("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 39% across 2024 to 2027, with a 40% increase in 2028;
- in the period beyond 5 years a long-term growth rate of 2.5%; and
- a post-tax discount rate of 20.5%.

The assumptions are based on the Group's forecast operating and financial performance of Sortify.tm. Revenue growth assumptions are based on comparable company research, technology start-up growth rates, historical revenue growth trends

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the half year ended 31 December 2023

and current market trends. Sortify.tm launched 'Trademarks Online' in UK and Singapore during 2022. In 2023, Sortify.tm 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 31 December 2023.

No impairment was recorded for the half year ended 31 December 2023. Management has considered the impact of changes in future cash flows and key assumptions on the base case VIU model, to create a sensitised model. The calculation is most sensitive to the following assumptions:

- Revenue forecasts, and
- Discount rate

**NOTE 10: Borrowings**

**Total Current and Non-Current Secured Borrowings**

	31-Dec-23 \$'000	30-Jun-23 \$'000
Bank loans	2,924	3,017
<b>Total current borrowings</b>	<b>2,924</b>	<b>3,017</b>
	31-Dec-23 \$'000	30-Jun-23 \$'000
Bank loans	24,487	29,232
<b>Total non-current borrowings</b>	<b>24,487</b>	<b>29,232</b>
<b>Total borrowings</b>	<b>27,411</b>	<b>32,249</b>

**Summary of Borrowing Arrangements**

During FY24 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.

	31-Dec-23 \$'000	30-Jun-23 \$'000
Amount utilised	27,411	32,249
Amount unutilised	39,870	36,213
<b>Total facilities</b>	<b>67,281</b>	<b>68,462</b>

**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.

## **DIRECTORS' DECLARATION**

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached condensed financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the six month period then ended.

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

On behalf of the Directors



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Kathy Gramp, Director and Chair of the Audit, Risk and Compliance Committee