

QANTM Intellectual Property Limited

ANNUAL  
**Report**  
2022

QANTM  
INTELLECTUAL PROPERTY

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New capabilities  
in automation  
and AI-powered  
IP systems

MELBOURNE | SYDNEY | BRISBANE | SINGAPORE | HONG KONG | KUALA LUMPUR | AUCKLAND | WELLINGTON

# 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 (DCC), Davies Collison Cave Law (DCC Law), DCC Advanz Malaysia (DCC Advanz), FPA Patent Attorneys (FPA), and Sortify.tm (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, commercialisation, 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.

We currently have over 380 employees across Australia, New Zealand, Singapore, Malaysia and more recently Hong Kong, with a sales presence in the USA and an active Sortify platform in the UK.

## Our Values

We act with integrity, dignity and respect

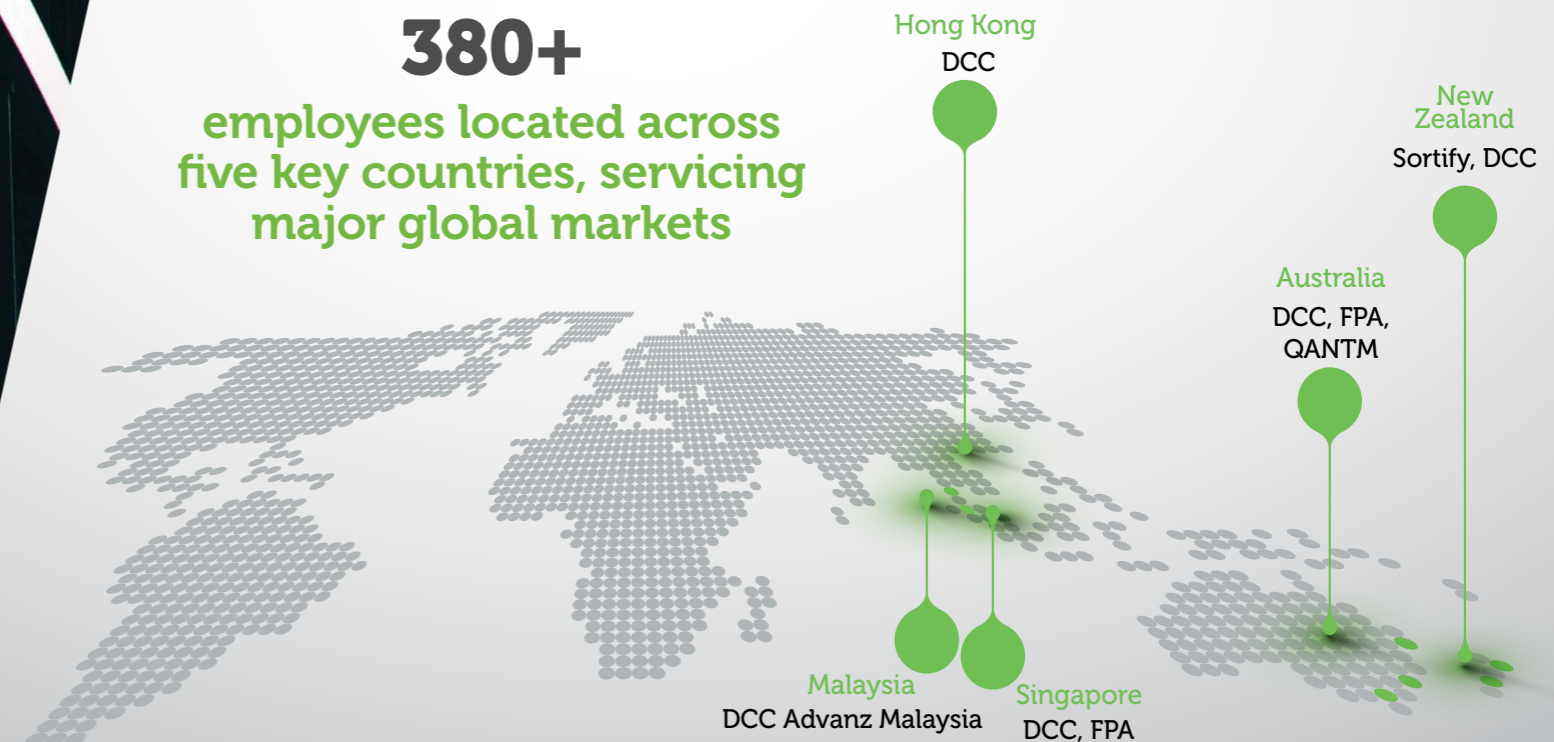
We deliver with excellence

We achieve through teamwork and collaboration

We are passionate about innovation and creativity

We practise the highest standards around ethics and transparency

**380+**  
employees located across  
five key countries, servicing  
major global markets



Office locations of businesses within the QANTM Group.



**Davies Collison Cave (DCC)**  
– one of Asia Pacific's largest and longest established patent and trade marks attorney firms.



**Davies Collison Cave Law (DCC Law)** – a leading specialist IP law firm providing the full spectrum of IP related legal services.



**FPA Patent Attorneys (FPA)**  
– an Australian-based patent attorney practice with expertise in patent and design filing, prosecution and oppositions in Australia, New Zealand and South East Asia.



**Sortify.tm Ltd** – a New Zealand headquartered trade mark legal technology company providing AI-powered IP solutions, including online trade mark registration platforms in Australia, New Zealand, the UK, Singapore and Malaysia, and productivity tools for trade marks attorneys and lawyers.

# 2022 YEAR IN REVIEW

**The market for IP services remains resilient, with continued strong client demand across our patent and trade mark service lines.**

## Strong growth in revenue

- Revenue continues to grow, underpinned by further expansion in Asia.
- Strong growth across patents, based on the strength of DCC, FPA and DCC Advanz Malaysia.
- Strong growth in trade marks, reflecting a record performance in DCC and the inclusion of Sortify (a new sector).
- Earnings remained steady through a period of major investment (across technology, people, process, clients).
- Increased diversity and scale of service offerings and client base, providing increased resilience.
- Access to higher growth trade mark segment through Sortify acquisition.
- New capabilities in automation and AI-powered IP systems through Sortify acquisition.
- Strategic investments will yield operational efficiencies across all business divisions over the longer term.

## Investment in People and Clients

- Client engagement and retention remains solid; expanded service and sales offerings increases value proposition.
- Retained key people, whilst successfully recruiting over the period to support the expansion of our portfolio.
- Board and Executive refresh – increased focus on execution and delivery of investment benefits.

## Strategic Initiatives

- Acquisition of the Sortify.tm Ltd business in 1H22.
- Continued expansion in the Asia-Pacific region with DCC opening a Hong Kong Office and the launch of Sortify.tm in Singapore and, in August 2022, Malaysia.
- Simplification and streamlining of brands with the integration of Cotters into FPA and DCC in Australia, Advanz Fidelis to become DCC Advanz Malaysia, and ipervescence into DCC Consulting.
- More than half-way through technology modernisation program - expect to see improved margins over next several reporting periods through productivity enhancements and cost reduction.

# BUSINESS & FINANCIAL HIGHLIGHTS

## Revenue Analysis



### Patent Service Charges

up

**1.2%**

(\$65m FY22 vs \$64.2m FY21)<sup>1</sup>



### Trade Mark Service Charges

up

**25.2%**

(\$19.8m FY22 vs \$15.8m FY21)<sup>1</sup>



### Legal/Litigation service charges

down

**4.4%**

(\$11.7m FY22 vs \$12.2m FY21)<sup>1</sup>

## Patents

### Group Patent Applications

up

**3.2%**

### Australian Patent Applications

up

**0.2%**

### Asian Patent Applications

up

**16.2%**

## Trade Marks

### Group Trade Mark Applications

up

**64%**

### Australian Trade Mark Applications

up

**76%**

### Qantm Australian Trade Mark Market Share Of

**15.6%**

DCC retains the largest market share for trade mark application in Australia and **Sortify** holds #3 market position in Australia and #2 position in NZ

## Legal/Litigation

- DCC Law remains one of the pre-eminent IP Law practices in Australia

### NOTE:

<sup>1</sup> DCC, FPA, Advanz and Sortify management analysis

### TOTAL REVENUE

**\$127.3 million**

↑ **UP 6.9%**  
(FY21: \$119.1 MILLION)

### SERVICE CHARGE REVENUE

**\$96.6 million**

↑ **UP 4.5%**  
(FY21: \$92.4 MILLION)

### CASH & CASH EQUIVALENTS

**\$7.4 million**

↑ **UP 30%**  
(FY21: \$5.7 MILLION)

### UNDERLYING EBITDA

**\$26.3 million**

↑ **UP 0.8%**  
(FY21: \$26.1 MILLION)

### UNDERLYING NET PROFIT AFTER TAX

**\$12.8 million**

↓ **DOWN 5.18%**  
(FY21: \$13.5 MILLION)

### OPERATING EXPENSES

**\$74.9 million**

↑ **UP 7.76%**  
(FY21: \$69.5 MILLION)

### OPERATING CASH FLOW

**\$16.0 million**

↓ **DOWN 19.19%**  
(FY21: \$19.8 MILLION)

### NET DEBT AS AT 30 JUNE 2022

**\$23.8 million**

↑ **46.9%**  
(30 JUNE 2021: \$16.2 MILLION)

### FULL YEAR DIVIDENDS OF

**6.5 cents**

**FULLY FRANKED**  
(FY21: 7.4 CENTS)

# CHAIR AND CEO REPORT

**At QANTM, we see intellectual property, innovation and creativity as the cornerstones of modern economies. QANTM’s vision is to work with the world’s greatest innovators and help develop, protect and commercialise their ideas.**



**SONIA PETERING**  
Chair

**CRAIG DOWER**  
CEO and Managing Director

# FROM THE CHAIR AND CEO

## Dear fellow Shareholders,

On behalf of the Board, we present to you the 2022 Annual Report for QANTM IP (QIP) Ltd.

We see intellectual property, innovation and creativity as the cornerstones of modern economies. QANTM's vision is to work with the world's greatest innovators and help develop, protect and commercialise their ideas.

We are a people business whose aim is to deliver the best possible outcome for our clients and be the best place for IP professionals to work and build their careers. This year we continued to serve over 5,000 clients in around 60 countries in sometimes difficult service conditions.

### Our industry is resilient

Like most companies, when the early stages of the COVID-19 pandemic were upon us in early 2020, we at QANTM were uncertain of what the impact would be on our business. We planned for a range of scenarios, most of which catered for how to manage varying negative impacts on the business, and various downturn scenarios across the IP sector as a whole. As we look back more than two years on from those initial scenarios it is clear that – despite the heavy toll that COVID-19 and its variants has taken in so many ways – the IP industry, as a whole, has remained remarkably resilient. The Company believes the underlying fundamentals of the industry remain strong and is confident that client levels will remain strong.

**The IP industry continues to show strong resilience in an increasingly uncertain world.**

### Our industry is growing

Our industry ebbs and flows on the global sentiment around research and development (R&D). The long arc of R&D budgets is a positive one, illustrated by a compound annual growth rate (CAGR) of 4.29% in global patent PCT applications over the 10 years 2011-2021<sup>1</sup> and a 11.77% CAGR for trade marks from 2011-2020<sup>2</sup>. During the global pandemic, the vast majority of companies have continued to invest in innovation and, in fact, there has been continuation of growth trends in sectors such as digital technologies and bio-tech.

### Our people focus

At QANTM, we took a decision in early 2020 that our primary focus during the pandemic would be the health, safety, well-being and job-security of our people. We wanted to provide as much support as we could for our people: to help them all manage through what was no doubt going to be a challenging period, and to develop a fully flexible working environment in which all of our people could effectively manage the multiple and changing demands that were thrown up during that tumultuous period. We also wanted to ensure that we were there for our clients, so that they could count on us to deliver the excellence in service that they rely upon. And, most importantly, we wanted to ensure the health and future of our businesses in a very uncertain world.

We developed a framework called “navigating uncertainty, emerging stronger”. We had ground up involvement from all of our people in a wide-ranging number of initiatives in support of that theme. Whilst it is too early to say that the pandemic is over, we can say with confidence that we have navigated through that uncertainty very effectively, and that we are definitely emerging stronger as we enter our seventh year as a publicly listed company. Our employee retention rates remain high, our people engagement scores are as strong as ever, we are attracting new talent to the business at various levels, and our focus on delivering excellent client service has been unwavering.

### Investing in the future while continuing to grow

We also took a decision to invest in our business during that period. Those investments were across several areas: our people, our clients, growth, technology and in improving our business processes. Whilst it may seem counter-intuitive to invest during a period of volatility,

we took the view that these were long term investments and that the businesses and our shareholders would benefit from those investments. They would help create strategic and competitive differentiation, and would position us to deliver stronger growth and profitability over the medium term.

We are making progress on all of those investments.

### Business operations in FY22

We grew our service charges revenue across the Group by 4.5%. This was delivered by continued growth in patents, which remains the largest segment of our business, and a very strong performance by our trade marks service line, which had its best year ever. This was influenced both by DCC, which had a very strong year servicing its corporate client segment, as well as the addition of Sortify, which we acquired in September 2021. Sortify opens up a whole new trade mark segment – self-filers – through their market leading AI-enabled trade mark filing platform. This promises to be a high growth opportunity for Sortify and the QANTM Group over the years ahead.

Our Asian patent applications grew at 16% during FY22, and Asia is now contributing around 7% of our overall revenue. We expect this growth to continue, and are aiming for revenues in Asia to be over 25% of group total in the medium to longer term.

Underlying EBITDA after FX remained steady at \$26.3m through a period of major investment (across technology, people, process, clients), with slightly improved margins in the second half of FY22. We expect to see continued margin growth as our investments deliver over the next several years.

FY22 was another strong cash generating year, building on our strong balance sheet. At 30 June 2022, our net debt to EBITDA ratio was 0.90. We declared a fully franked dividend of 3.5 cents, a total of 6.5cps for FY22 a return consistent with prior year.



**Sonia Petering**  
CHAIR

<sup>1</sup>Source : WIPO's PCT Yearly Review 2022 (which utilised WIPO Statistics Database March 2022)  
<sup>2</sup>Source : WIPO Statistics Database September 2022

# FROM THE CHAIR AND CEO

QANTM incurred one-off expenditure of \$5.0m for FY21 and FY22 relating to transformation initiatives.

## Business Transformation

As we worked through a review on transformation in early 2022, we crystallised on three clear strategies:

- Technology modernisation
- Business simplification
- Process optimisation

We are now about half-way through our four year technology modernisation program, with the focus of the past two years being on critical infrastructure to enable a fully-flexible work force, as well as the detailed technical and program design. The year ahead is one of heavy lifting: migrating all of our technology infrastructure to the Microsoft Azure cloud platform, upgrading all of our IP management systems, and automating a number of business processes to enable improved productivity of our people.

Earlier this year we announced the integration of Cotters into FPA and DCC. This process is now complete, with the Cotters patents team having been merged into FPA, and the Cotters trade marks team becoming part of DCC.

We also announced the integration of Advanz Fidelis into DCC Malaysia. This project is underway and is expected to be completed over the next several months.

Whilst both of these projects will yield some operational synergies, the main focus is upon developing further career opportunities for our people, and providing a deeper services portfolio for our clients.



Craig Dower  
CEO and Managing Director

## Growth and Expansion

In September 2021, we acquired Sortify.tm, a New Zealand based trade mark legal technology firm. Sortify has built an AI-enabled platform which encapsulates attorney expertise in software form, and provides a platform for self-filers – typically small businesses and start-ups – to have a guided experience for applying for their own trade mark. This is a very large and new market sector for QANTM. The vast majority of business owners do not apply for trade marks, as they see it as too complex and too costly. Sortify’s platform addresses these two areas, enabling the company to move from market entry only a few short years ago, to now being the #2 filer of trade marks in New Zealand, and the #3 filer in Australia. Sortify have also established a platform in the very large UK market, and – over the past year under QANTM’s ownership – they have expanded into Singapore and Malaysia.

Sortify also bring a unique LegalTech capability to QANTM, with a team of software developers that are well-versed in modern programming as well as having machine-learning and AI expertise. We have a number of projects underway through which Sortify’s automation and technology experience will be applied to the broader QANTM business, enabling us to reduce administrative tasks, provide better client service, and improve the productivity of our people.

As we have previously outlined, Asia remains an area of continued focus and growth. In August 2022, DCC announced the opening of its Hong Kong office, and the appointment of Owen Gee as the Principal leading that business. We are excited about the growth opportunities that exist in Hong Kong and China more broadly, and Owen is a great addition to the DCC team.

## Board and Executive Renewal

At last year’s AGM, Richard England, our previous and inaugural chairman, announced his decision to retire. That process was completed in May of this year, with the appointment of Sonia Petering as Chair. Sonia has been a director of QANTM since our IPO, and is an experienced director in professional services, listed company boards, M&A and Chair experience across various sectors.

Gavin Bell and Kathy Gramp have also recently joined as independent, non-executive directors. Both Gavin and Kathy bring deep and highly relevant experience to the QANTM Board, Gavin with his extensive experience which includes as CEO in global professional services firms, and Kathy with her deep M&A experience. Again, both Gavin and Kathy are highly regarded professional directors, and we are thrilled to have them on our Board.

In June of this year, we announced the appointment of Brenton Lockhart as CFO. Brenton has been with the QANTM Group for over four years, where – for most of that period – he served as Finance Director for FPA, and also doubled as our M&A leader for the past six months or so. Brenton has professional services experience and understands the IP sector deeply.

Krista Stewart has also recently joined the Group, as General Counsel and Company Secretary. Krista has deep Asia Pacific experience, having lived and worked in Singapore for over a decade. Krista has extensive legal experience, and has been involved in a large number of M&A transactions, both as a lawyer and also leading a number of deal teams in her many years at Orica.

These changes all bring new eyes, ideas and energy to the task ahead, of continuing to grow the QANTM Group and to support our expansion plans in Asia, both organically and through M&A.

## FY23 Priorities

- Drive organic growth through selective price increases, cost efficiencies and targeted business development;
- Continue to explore appropriate and accretive inorganic opportunities;
- Implement the next phase of our technology modernisation, business simplification and process optimisation program; and
- Continue to nurture and develop our people, leaders and emerging leaders.

We look forward to connecting with you our shareholders at our AGM on 25th November 2022. On behalf of the Board, we would like to thank our whole team of more than 380 employees and our leadership team across the QANTM Group for the commitment, dedication and expertise to support our clients protect their ideas. We would also like to thank our clients who put their trust in us, our associates who refer work to us and to you, our shareholders, who invest in us.

Thank you for your ongoing support of QANTM.

Sonia Petering  
Chair

Craig Dower  
CEO and Managing Director

Companies that innovate and invest in R&D need to protect their assets, and often the biggest of those assets is their intellectual property.

# 2022 KEY BUSINESS OVERVIEW

Each of our key brands and businesses has an outstanding reputation for what they do, and brings a common focus around excellence in client service and being great places to work.



# 2022 KEY BUSINESS OVERVIEW



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

Australia | Singapore | Malaysia | Hong Kong | NZ

With over 140 years of history, DCC has grown to become one of the largest, most respected IP firms servicing local and international clients for all their IP needs.

With offices in Australia, New Zealand, Singapore and Hong Kong and with filing capabilities in many countries throughout the region, DCC assist in the creation, protection, enforcement and commercialisation of all facets of IP, as well as advising in general corporate and commercial law issues.

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. This ensures that DCC's advice is not only technically excellent, but also aligns with each client's IP and broader commercial objectives.

DCC's patent attorneys provide services in all areas of technology, with many having PhDs in their respective fields. DCC has a long history of assisting universities and research institutions to identify, protect and commercialise their research and development programs. Many of DCC's lawyers and attorneys hold academic positions or are visiting lecturers at Australian and Singapore universities, and are involved in teaching undergraduate and post-graduate courses in intellectual property law and technical subjects.

DCC provides expert advice relating to patents, trade marks, domain names, plant rights, registered designs and trade secrets. DCC's experts deliver services across a wide range of industries and sectors to a broad range of clients, including some of the world's most well-known and respected companies.

DCC's trade mark group comprises some of the most experienced Trade Marks Attorneys in Australia, New Zealand and Singapore. The trade mark group specialises in a holistic range of services to assist in protecting the brand identity of its clients. DCC's trade marks attorneys are internationally renowned as thought leaders, committed to providing commercially relevant and pragmatic advice. DCC's attorneys work with a broad range of clients, from small start-up organisations and SMEs, to some of the world's most well-known brands.

DCC continues to break new ground and expand their service offering to intellectual asset governance consulting.

### Significant Awards

DCC was recognised by Managing IP (MIP) in 2022 across four award categories:

- Asia Pacific: Trans-Tasman IP Firm of the Year
- Australia: Patent Contentious (Patent and Trade Mark Attorney) Firm of the Year
- Australia: Trade Mark (Patent and Trade Mark Attorney) Firm of the Year
- Australia: Impact Case of the Year

Principal Elizabeth Godfrey ranked among the Top 250 Women in IP in the 2022 edition of MIP

WTR ranked DCC for Trade Mark Prosecution, Strategy and Engagement, and Litigation

Sectors	
Aerospace and Defence	Food and Beverage
Agribusiness and Food Technology	Games and Video Games
Automotive	ICT, Electronics and Software
Biotechnology	Marine Technology
Building and Construction	Materials Science
Chemistry	Medical Technology
Clean Technology	Mining, Energy and Resources
Consumer Goods	Music



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

Australia | Singapore | NZ

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.

FPA prides itself on deeply understanding its clients' commercial interests and implementing patent examination strategies to ensure alignment with those interests. FPA continually challenges itself to provide clients with more than a standard approach; it seeks to ensure a commercial context and to deliver bespoke solutions that truly add commercial value. FPA people think laterally and are prepared to invest time and intellectual rigor in the client relationship and in understanding each client's business.

Internationally, FPA has a diverse client base including multinational corporations. Domestically, in 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.

### Significant Awards

FPA's quality of work and service to clients is consistently recognised by global industry awards. FPA won the Australian Patent Prosecution Firm of the Year trophy at the Managing IP Awards 2021 (FY22). FPA is very proud that 91% of its Principal were named by MIP as IP Stars in FY23 (up from 40% the prior year).

Principal Daneta Crump ranked among the Top 250 Women in IP in the 2022 edition of MIP.

Sectors	
Agribusiness and Agrochemical	Food, Beverages and FMCG
Analytical Instrumentation	Industrial Chemistry
Artificial Intelligence	Information and Communication Technologies
Biotechnology	Mechanical engineering and manufacturing
Building, Construction and Civil Engineering	Medical technologies
Chemical and Materials Engineering	Mining and resources
Consumer Products and Design	Pharmaceutical
Electronics and Electrical Engineering	Physics
Energy	

# 2022 KEY BUSINESS OVERVIEW



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

### Australia

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 commercialisation and licensing of all aspects of IP, as well as providing an extensive commercial law offering.

DCC Law’s key service areas are:

Service Areas	
IP and Commercial Dispute Resolution and Litigation	Commercialisation and Licensing
IP Strategy Advice	Private Wealth
Trade Secrets and Data Protection	Corporate, Commercial, Property and Tax
Copyright	Technology, Media and Telecommunications

### Significant Awards

- Doyle’s Guide (2022) recognised 7 Principals
- Best Lawyers recognised 18 Principals across Intellectual Property Law, Litigation and Biotechnology Law, including one as Brisbane IP Law Lawyer of the Year
- IAM ranked DCC for Patent Prosecution, Patent Litigation and Transactions
- Who’s Who Legal (2022) named 11 Principals as leading lawyers across Trade Marks, Patents and Copyright



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

### New Zealand | Australia | Singapore | Malaysia | UK

Sortify.tm is a New Zealand headquartered trade mark legal technology company providing AI-powered IP solutions, including online trade mark registration platforms in Australia, New Zealand, the UK, Singapore and Malaysia, and productivity tools for trade marks attorneys and lawyers.

The Sortify.tm team developed the world’s first fully-automated assisted trade mark filing portal, connected directly to an IP Office through an API – allowing trade mark owners to enjoy real time assisted trade mark filing. Sortify.tm now has a full time software development team of nine people, customers around the world, and has created a new product category in the trade mark law space.

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

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

### Trademark Registration Platforms

Australia - Trademarks Online	<a href="http://www.trademarksonline.com.au/">www.trademarksonline.com.au/</a>
New Zealand - DIY Trademarks	<a href="http://www.diytm.co.nz/">www.diytm.co.nz/</a>
Singapore - Trademarks Online	<a href="http://www.trademarksonline.com.sg/">www.trademarksonline.com.sg/</a>
Malaysia - Trademarks Malaysia	<a href="http://www.trademarksmalaysia.my/">www.trademarksmalaysia.my/</a>
UK – Trademarks Online	<a href="http://www.trademarksonline.co.uk/">www.trademarksonline.co.uk/</a>

# PEOPLE AND CULTURE

During the 2022 Financial Year, we continued to reimagine new ways of working with all businesses across the QANTM Group, adopting hybrid working models as well as flexible working arrangements to facilitate both work and life commitments. More recently, this has extended to short terms stints of Work From Anywhere (WFA) as employees reconnect with families overseas, as well as one team trialling Compressed Working Fortnights.

State of the art technology tools provided to every employee, and our evolving IT infrastructure, have been key to this successful adoption.

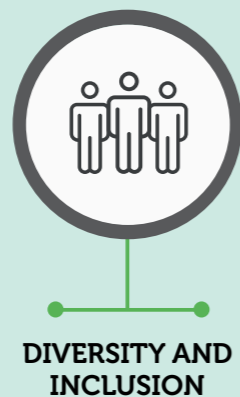
Our leaders across the Group have upskilled in people leadership skills through tailored training programs, with many also becoming accredited in mental health first aid.

New software tools enabled us to simplify our people processes and operate with increasing efficiency whilst supporting our focus on Diversity & Inclusion (D&I) and continuous feedback to support new models of working away from the traditional office.

Over the past year, we have invested heavily in a number of initiatives around diversity, inclusion and wellbeing:

- Implementation of a new HRIS system bringing every employee across the Group onto a single platform
- Adoption of software in our recruitment process to de-identify candidate profiles to overcome unconscious biases - a critical first step in our D&I strategy
- An automated online performance appraisal process, promoting just in time feedback to facilitate stronger conversations, instant tracking of personal and professional goals linked to the business strategy
- The launch of DCC's Diversity, Inclusion and Belonging Strategy 'Be', a best in class 3-year strategic program developed by DCC's DI&B Committee through a comprehensive consultation and collaboration process
- Delivery of unconscious bias training across the Group, including Upstander/ Bystander training, training in recruitment and selection processes through the D&I lens, and workplace behaviour training with a focus on prevention of sexual harassment in the workplace.

Equally important is the business's impact on the external environment. Both FPA and DCC are members of AusLSA – The Australian Legal Sector Alliance which is an industry-led association working collaboratively to promote best practice sustainability commitments and performance across the legal sector. AusLSA's sustainability framework includes sustainable and inclusive workplaces, community support, environmental conservation and responsible governance.



- DCC's 'Be' program
- Mental Health First Aid Certification of leaders across the Group
- Unconscious Bias training
- Overhaul of selection processes to foster diversity
- Inductions, events and activities to fast track inclusion and belonging



- Leadership skills training for people managers
- Communication skills training
- Business Development - focussed on understanding and delivery of client needs
- Personal Development – focussed on mental and physical wellbeing initiatives with EAP and lunch & learn education series



- Balancing remote with in person working
- Adopting a Work From Anywhere (WFA) model
- Compressed Working Fortnight
- Remote Working and Wellbeing Allowances



- Automation of recruitment process: de identify applications
- Paperless performance appraisal system
- Formalised continuous feedback program

**We have committed to providing an optimal working environment for all of our people, with flexible work policies supporting a hybrid workforce into the future.**



# DIVERSITY, INCLUSION, AND BELONGING

**DCC's vision is 'to celebrate our differences and connect as a community where everybody feels they belong'.**



**DAN TANSWELL**  
Head of People and Culture  
Davies Collison Cave

To bring our vision to life we created a 3-year strategy named 'Be' which we launched in November 2021.

The People and Culture team work collaboratively with our internal Diversity, Inclusion and Belonging Committee (DIB) to provide a comprehensive approach to well-being, diversity and inclusion.

Our strategy has four aims which can be summarised as:

- (i) promoting a culture of acceptance,
- (ii) developing a psychological safe working environment through knowledge and understanding,
- (iii) using flexible working and well-being to engage our employees, and
- (iv) targeting areas of diversity to become leading in these areas.

Under our first aim, employees completed Upstander training, which provided the tools to address poor workplace behaviours. Using the feedback from our Committee, we have rewritten our workplace behaviours policy. 'Working Together' will be values-led and provide advice and support to effectively navigate workplace relationships.

To recognise behaviours aligned with our values we are introducing Perkbox. This allows us to recognise contributions on the 'Celebration' page. Perkbox also has a 'Well-being' page and a 'Perks' page.

Our learning platform, IQ online is an important part of our strategy for training employees in Equal Employment Opportunities.

For our second aim, we ran a workshop with our Committee to emphasise the importance of D&I matters. We want to equip them to confidently represent the Committee to their teams.

We are now a member of Diversity Council Australia (DCA). DCA runs workshops and provides research materials to keep our knowledge current. We have participated in their Employer Inclusivity Index survey, which will provide insights and perspectives about working at DCC. This survey has been preceded by

several short pulse surveys, used to understand how we can sustain our employee net promoter score to become a more inclusive employer.

Our DIB newsletter is a useful communication tool. We share articles about firm news, well-being tips and notable days for diversity, such as Diwali, Wear it Purple and Reconciliation week.

For our third aim, the Committee provides regular guidance on effectively working and managing teams in our hybrid working environment. Our pulse surveys reflected that flexibility is important to our employees.

We use technology to have firm-wide communications for our 'Huddle in the Cave'. All employees are invited to attend for the latest DCC news, initiatives and areas of the firm are showcased. Well-being initiatives, particularly around R U OK? Day bring employees together.

DCC is a member of both AusLSA (the Australia Legal Sector Alliance) and the Australian Pro Bono centre which supports our strategy. The Committee is currently looking to develop a volunteering scheme that will allow all employees to contribute to their communities.

For our final aim, in consultation with our employees, we identified five areas of diversity where we plan to become a leading employer. These are Gender, LGBTQIA+, Reconciliation, Multiculturalism and People with a disability.

We have been developing a Gender Equity Action Plan. We have engaged stakeholders in focus groups and workshops to understand our past employee experiences and our future priorities. We now have a dedicated Committee of Principals who will be responsible for taking forward this important project.

DCC has recently introduced pronouns on email signatures and created a Guide to Coming Out At Work.

As we approach the end of the first year of our strategy, I am proud of the work we have completed so far in building the foundations to become a firm that embraces diversity and provides a meaningful and inclusive experience for all our employees.

# 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 31 to 33 of the Directors’ Report.



**SONIA PETERING**  
*LLB, BCom, FAICD*

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

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

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

Sonia previously served as a Non-Executive Director on the boards of Transport Accident Commission of Victoria, Rural Finance Corporation of Victoria, as Chair of the Board of Rural Finance Corporation from 2009 - 2016, and Virtus Health Ltd (ASX:VTR) where she was Director from 2014 and Chair of the Board from 2019 - 2022.

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.



**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, and is also a Senior Fellow of the University of Melbourne



**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 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 a non-executive director of AIMSO Ltd and icare NSW, 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).

# GROUP EXECUTIVE TEAM



**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, FAICD*

Chief Financial Officer  
QANTM

Location - Melbourne

Commenced: 2018



**KRISTA STEWART**

*BA, LLB (Hons)*

General Counsel &  
Company Secretary  
QANTM

Location – Melbourne

Commenced: 2022



**DAVID WEBBER**

*BE (Hons), LLB  
Patent Attorney*

Managing Principal

Davies Collison Cave

Location - Melbourne

Commenced: 1985

# FINANCIAL REPORT

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2022



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 2022 (FY22). 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 which commenced operations in Hong Kong in August 2022;

**FPA Patent Attorneys**, including:

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

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

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

**Sortify.tm Ltd**, - an incorporated trademark registration and automation business operating in Australia, New Zealand, Singapore and the United Kingdom operating under the brands **Trademarks Online**, **Trademark Planet** and **DIY Trademarks**.

The Group was restructured from 1 July 2022, with Advanz Fidelis merging with DCC Asia and the Cotters business merging with FPA and DCC.

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, Singapore and the UK, 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 three groups:

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

QANTM businesses have relationships with a broad range of Foreign Associates internationally. These Foreign Associates engage QANTM businesses to act on behalf of international clients where that client wishes to obtain IP protection in Australia,

New Zealand, Singapore or Malaysia (often as part of the 'national phase entry' of 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 2022, the QANTM Group had a total of 382 employees.

## 1. General information

### 1.1. Directors

The names of the Directors in office at any time during, or since the end of, FY22 are:

Names	Position
Mr Richard England	Non-Executive Chair (retired 24 May 2022)
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)



## 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>	Non-Executive Chair (appointed as Chair effective 24 May 2022)
Qualifications	LLB, B.Com, FAICD
Experience	Sonia has more than 15 years' experience in non-executive director and chair roles with listed and unlisted companies and government authorities across financial services, payments, insurance, professional services and healthcare. Sonia is an experienced commercial lawyer who commenced her legal practice in 2001. She holds a current Victorian legal practicing certificate. Sonia previously served as a Non-Executive Director on the boards of Transport Accident Commission of Victoria and Rural Finance Corporation of Victoria and as Chair of the Board of Rural Finance Corporation from 2009 - 2016. Sonia holds a Bachelor of Laws and Bachelor of Commerce from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors.
Interest in shares and options	45,044 shares
Special responsibilities	Chair of the Audit, Risk and Compliance Committee (until 24 May 2022) and member of the People, Remuneration and Culture Committee
Other current listed directorships	None
Former directorships of listed entities (last 3 years)	Non-Executive Director of Virtus Health Limited (ASX:VRT) (retired 1 July 2022).
<b>Mr Craig Dower</b>	Managing Director and Chief Executive Officer (served as Chief Executive Officer with effect from 13 January 2020, and also appointed as Managing Director with effect from 1 July 2020)
Qualifications	FAIM, FAICD, MACS
Experience	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. 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.
Interest in shares and options	Holds 147,525 shares. Holds 717,699 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 (which comprises section 8 of this Directors' Report).
Special responsibilities	Chief Executive Officer and Managing Director
Other current listed directorships	None          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 2021) (formerly Managing Director and Chief Executive Officer – retired with effect from 13 January 2020)
Qualifications	BSc (Hons), Patent Attorney
Experience	Leon commenced work as a patent attorney in 1981, and served as managing partner and chairman of Davies Collison Cave's national management board from 2011, until becoming QANTM's inaugural CEO/MD in 2016.  Leon is a past president of the Institute of Patent and Trade Marks Attorneys of Australia, having served on its Council from 1992 to 2013. Leon served two terms on the Advisory Council on Intellectual Property to the Federal Government, the second as Chair.  He is a Fellow of the International Federation of Patent Attorneys Academy of Education, teaching patent drafting in Europe, and is also a Senior Fellow of the University of Melbourne
Interest in shares and options	2,037,227 shares
Special responsibilities	Member of the Audit, Risk and Compliance Committee and the People, Remuneration and Culture Committee
Other current listed directorships	None
Former directorships of listed entities (last 3 years)	None

<b>Mr Gavin Bell</b>	Non-Executive Director (appointed 1 March 2022)
Qualifications	LLB, MBA (Exec)
Experience	Gavin was appointed an independent Non-Executive Director on 1 March 2022.  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 a non-executive director of AIMSO Ltd and icare NSW, 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).
Interest in shares and options	25,641 shares
Special responsibilities	Chair of the People, Remuneration and Culture Committee (from 29 March 2022).
Other current listed directorships	Non-Executive Director of IVE Group Limited (ASX: IGL) Smartgroup Corporation Limited (ASX: SIQ).
Former directorships of listed entities (last 3 years)	None



## 1. General information (continued)

### 1.2 Information on directors (continued)

<b>Ms Kathy Gramp</b>	Non-Executive Director (appointed 11 May 2022)
Qualifications	BA(Acc), CA, FAICA, FAICD
Experience	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.  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.
Interest in shares and options	Nil
Special responsibilities	Chair of the Audit, Risk and Compliance Committee (from 24 May 2022).
Other current listed directorships	Non-Executive Director of Codan Ltd (ASX: CDA)
Former directorships of listed entities (last 3 years)	Non-Executive Director of Uniti Group Ltd (ASX: UWL) (retired effective 4 August 2022)

<b>Mr Richard England</b>	Non-Executive Chairman (retired from the QANTM Board effective 24 May 2022)
Qualifications	FCA, MAICD
Experience	Richard was appointed independent Non-Executive Chairman on 17 May 2016. He was formerly a partner at Ernst & Young from 1988 to 1994 and a consultant until 2003. Richard is a Fellow of Chartered Accountants Australia and New Zealand and a Member of the Australian Institute of Company Directors.
Interest in shares and options	135,134 shares
Special responsibilities	Chairman of the Board of Directors, member of the Audit, Risk and Compliance Committee and Chair of the People, Remuneration and Culture Committee (until 29 March 2022).
Other current listed directorships	None
Former directorships of listed entities (last 3 years)	Non-Executive Director of Japara Healthcare Limited (retired 1 September 2020). Non-Executive Chairman of Automotive Holdings Group Limited (retired 31 October 2020). Non-Executive Director of Bingo Industries Limited (retired 30 October 2020). Non-Executive Director of Atlas Arteria. (retired 30 November 2018).

1. General information (continued)

Company Secretary

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

Nick Ward, LLB (Hons), BA
General Counsel and Company Secretary

Nick joined QANTM as General Counsel in September 2018 and was appointed as Company Secretary with effect from 27 August 2021. He has over 27 years' experience in corporate legal and governance-related roles, including as Deputy General Counsel and Deputy Company Secretary at Orica Ltd, and in private legal practice with Slaughter and May (UK) and Allens Arthur Robinson (now Allens)

2. Meetings of Directors

The number of meetings of QANTM's Board of Directors (the Board) held during FY22, and number attended by each Director during that period are:

Table with 7 columns: Directors' Meetings (Attended, Held), Audit, Risk and Compliance Committee (Attended, Held), People, Remuneration and Culture Committee (Attended, Held). Rows list directors: Ms Sonia Petering, Mr Richard England, Mr Craig Dower, Mr Leon Allen, Mr Gavin Bell, Ms Kathy Gramp.

Notes:
1 Ms Petering was appointed Chair of the Board with effect from 24 May 2022.
2 Mr England retired as a Director with effect from 24 May 2022.
3 Mr Bell was appointed as a Non-Executive Director on 1 March 2022, and as Chair of the PRCC with effect from 29 March 2022.
4 Ms Gramp was appointed as a Non-Executive Director on 11 May 2022, and as Chair of the ARCC with effect from 24 May 2022.

3. Principal Activities

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

The QANTM Group's principal operations during FY22 were in Australia, New Zealand, Singapore and Malaysia. In Australia, DCC, FPA and Cotters 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. Advanz provides IP services for Malaysian clients as well as regional and other international clients, and in FY23 will be integrated into the DCC business. DCC also commenced operations in Hong Kong in August 2022. Cotters' employees and business operations have, with effect from 1 July 2022, largely been integrated into DCC (trade marks) and FPA (patents). Cotters is continuing to provide services to some clients on pre-existing matters during FY23.

In September 2021, QANTM acquired Sortify.tm Ltd, an incorporated trademark 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 and Trademarks Malaysia in Malaysia in August 2022.



4. Operational and financial review1

The following provides commentary on the Group's FY22 results:

The Group's Total Revenue for FY22 was higher than FY21 at \$127.3 million, compared with \$119.1 million for the 12 month period ended 30 June 2021 (FY21). Net revenue, after other income and recoverable expenses from associate charges, was \$101.2 million compared with \$95.6 million for FY21.

The Group's Total Operating Expenses (excluding recoverable expenses) were \$79.6 million in FY22, compared with \$71.9 million in FY21. Underlying Total Operating Expenses were \$74.9 million, compared with \$69.5 million in FY21.

Consolidated EBITDA was lower than prior year at \$21.6 million compared with \$23.7 million EBITDA for FY21. Underlying EBITDA was higher in FY22 at \$26.3m (FY21 \$26.1m).

The Group's Net Profit after Tax (NPAT) was \$7.1 million, compared with \$10.4 million in FY21. Underlying NPAT was \$12.8 million, compared with underlying NPAT in FY21 of \$13.5 million (refer table on page 12 for a reconciliation from statutory NPAT to underlying NPAT).

Net debt as at 30 June 2022 was \$23.8 million, compared with \$16.2 million as at 30 June 2021. Gearing (net debt/net debt + book equity) at 30 June 2022 was 24.8% (30 June 2021: 18.1%).

In line with the Company's dividend payment policy, Directors determined a total FY22 dividend payment of 6.5 cents per share, fully franked, made up of an interim dividend of 3.0 cents per share and a final dividend of 3.5 cents per share. The FY21 dividend payment was 7.4 cents, made up of an interim dividend of 4.0 cents and a final dividend of 3.4 cents, fully franked.

Principal operational and business activities during the year included:

- QANTM business entities and team performed exceptionally well under the continued business challenges associated with COVID-19 disruptions, with all staff working effectively in hybrid home/office arrangements
- progress in the areas of technology modernisation; people; processes; client interface and growth and scale. Initiatives in each of these areas represent essential areas of investment for competitive business and financial outcomes. These activities encompass empowering our people; revenue growth through both organic and acquisition routes and comprehensive improvements to business systems, analytics and processes.
- technology modernisation and process simplification: completion of the implementation of a cloud-based human resources platform and new finance platform progressing, as part of a process to integrate disparate systems and build internal capabilities and reporting systems. Scoping and planning for our case management system is complete and implementation is underway.
- client engagement and collaboration: implementation of a world-class client engagement platform, backed by investment in technology, people and processes, as part of QANTM's commitment to improving the quality and efficiency of client engagement.
- Sortify joined the group at the start of the second quarter FY22. Sortify's automated technology platform provides a basis for the further expansion of our trade mark services into other geographies, notably the Asia-Pacific Region. We are also working to deploy Sortify's capabilities into our core businesses to help drive innovation, productivity and improved client service.
- advancement of growth and scale initiatives: investment in growth and business development, including the establishment of a DCC office in Hong Kong. Continued evaluation of suitable merger and acquisition opportunities was undertaken with the advancement of several opportunities to an investment case stage.

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

## 4. Operational and financial review (continued)

### 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 1.2%. Patents contributed 67.3% of Group service charge revenue
- Overall Group Patent applications grew 3.2%, with new Australian patent application filings increasing by 0.2%, in the context of an overall Australian patent market increase of 5.5%
- Australian patent application market share decreased to 15.0% compared with 15.8% in FY21. Market share can be volatile period to period. Market share has increased from 14.7% to 15.0% over the past two years in a period when the Australian market expanded by 8.1%
- Group Patent application filings in Asia increased by 16%. Asia now represents 16% of Group Patent applications
- Rest of World Patent applications (24% of the Group total) increased by 6.2%

Trade Marks recorded very strong growth of 25.2% in Service Charges (20.5% of the Group total):

- Trade mark applications for the Group increased by 64%, reflecting an excellent performance by the DCC Trade Mark business and the acquisition in September 2021 of Sortify;
- Australian trade mark applications (57% of the Group total) increased by 76%
- New Zealand applications (16% per cent of the Group total), more than doubled through the acquisition of Sortify; and
- Asian applications (6% of the Group total) remained stable period-on-period

DCC retains the largest market share for trade mark applications in Australia and, with the acquisition of Sortify provides a basis for the expansion of advisory and prosecution services.

Sortify holds the #3 market position in Australia and the #2 market position in New Zealand.

Legal and litigation services revenue contribution (12.1% of the Group total) was 4.4% lower relative to a strong prior year, reflecting the timing of advisory and case load work. DCC Law experienced an increase in revenue generation the second half, up 4.4% compared to 1H22



## 4. Operational and financial review (continued)

### 4.2. Financial Results – Key Elements

The main features of the FY22 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 FY22 are adjusted for various items, with a net total of \$4.7 million (FY21: \$2.4 million) not considered items of a recurring nature. These included SaaS costs, business acquisition costs and one-off restructuring costs. Refer to page 12 for a reconciliation of statutory Net Profit after Tax ('NPAT') to underlying NPAT.

#### Revenue

The Group's total revenue (service charges and associate charges) was \$127.3 million (FY21: \$119.1 million).

Total net revenue of \$101.2 million (FY21: \$95.6 million) included foreign exchange gains of \$0.9 million, and is after recoverable expenses from associate charges of \$29.3 million.

Services charges increased by 4.6% to \$96.6 million (FY21: \$92.4 million), comprising the following main components:

- Patent services charges (67.3% of total QANTM services charges) of \$65.0 million (FY21: \$64.2 million);
- Trade mark services charges (20.5% of QANTM's services charges) of \$19.8 million (FY21: \$15.8 million);
- Legal revenue (12.1% of QANTM's total) of \$11.7 million (FY21: \$12.3 million).

#### Expenses

Total underlying operating expenses were \$74.9 million, a \$5.4 million or 7.8% increase from the prior comparative period (FY21: \$69.5 million). Higher underlying expenditure related to a \$3.2 million increase in employee benefits costs including fee earner remuneration and senior attorney hires, partially offset by reduced performance based incentive expenses. In addition, there was a \$0.6 million increase in technology expenses associated with increased investment in technology resilience and cyber security. Marketing costs (including travel expenses) increased \$1.6m, but remained below pre-COVID levels.

### 4.3. EBITDA and EBITDA Margin

Statutory EBITDA was \$21.6 million, including an FX gain of \$0.9m (FY21: \$23.7 million). EBITDA margin (on Service Charges) was 22.3% (FY21: 25.6%).

Underlying EBITDA was \$26.3 million (FY21: \$26.1 million). The \$0.2 million increase in EBITDA from prior comparative period is in the context of strong growth of \$5.6m in net revenue, offset by increased investment in employment benefits costs related to fee earners (\$3.2m) and increased marketing expenses (including travel) of \$1.6m.

Underlying EBITDA margin (on Service Charges) was 27.2% (FY21: 28.2%).

## 4. Operational and financial review (continued)

### 4.4. Depreciation and Amortisation

Depreciation and amortisation in FY22 was \$8.2 million compared with \$7.3 million in FY21. The increase was mainly due to increased amortisation of acquisition related intangibles during the year.

### 4.5. Net Profit After Tax

Statutory net profit after tax was \$7.1 million (FY21: \$10.4 million), a 31.2% decrease. Earnings per share was 5.32 cents (FY21: 7.71 cents).

Underlying net profit after tax was \$12.8 million (FY21: \$13.5 million), a 5.2% decrease. Refer page 12 for a reconciliation from statutory to underlying NPAT.

### 4.6. Finance Costs and Net Debt

Finance charges in FY22 were \$2.4 million. The Company held total bank facilities of \$63 million and had \$31.2 million drawn as at 30 June 2022 with \$7.4 million cash on hand. As at 30 June 2022 the Company had net debt of \$23.8 million. Gearing (net debt/net debt + equity) at 30 June 2022 was 24.8 per cent. The Company continues to comply with the financial covenants of its facility agreement.

### 4.7. Operating Cash Flow

Cash flow provided by operating activities for the year was \$16.0 million (FY21: \$19.8 million), with a net increase of \$1.7 million after investing and financing movements.

### 4.8. Net Assets

The net assets of the Group have decreased by \$0.9 million, from \$72.8 million at 30 June 2021 to \$72.0 million at 30 June 2022. Trade receivables increased \$1.5 million and trade payables increased \$0.6 million both due to increased business activity in the latter part of the financial year. Net debt increased by \$7.6 million.



## 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-22 \$'000	30-Jun-21 \$'000
<b>Statutory NPAT</b>	<b>7,142</b>	<b>10,385</b>
add: interest	2,359	1,610
add: depreciation and amortisation	8,202	7,295
add: tax	3,875	4,421
<b>EBITDA – QANTM Group</b>	<b>21,578</b>	<b>23,711</b>
add: retention/restructuring payments	387	645
add: SaaS expenses	3,237	1,066
add: research costs associated with transformation	-	260
add: business acquisition costs	1,104	379
<b>Underlying EBITDA – QANTM Group</b>	<b>26,306</b>	<b>26,061</b>
less: depreciation and amortisation	(5,832)	(5,965)
less: interest	(2,359)	(1,610)
less: tax	(5,293)	(5,012)
<b>Underlying NPAT - QANTM Group</b>	<b>12,822</b>	<b>13,474</b>

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

## 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;
- associated strong cash flow conversion, enabling the payment of dividends and/or re-investment in opportunities for growth;
- an attractive EBITDA margin structure;
- favourable industry dynamics and growth prospects in developing economies; and
- high barriers to entry associated with the importance of reputable, technically qualified patent attorneys, long term client relationships and information systems for patents and trade mark recording.

### 6.2. Strategy and priorities

QANTM's strategic focus is based on: attracting and retaining high quality professionals, revenue growth and client retention through offering consistently superior IP services, market and business development activities, including new business services, and, where appropriate, on a strategic and financial basis, merger and acquisition activity. From the foregoing activities, the Group seeks to deliver attractive shareholder returns.

The main elements of QANTM's strategic focus include:

- focus on revenue growth from the existing business model, via new patent and trade mark applications, prosecution, advisory services and patent and trade mark renewals;
- provision of patent litigation and other services to both domestic and international clients, with business generated from both QANTM's entities as well as outside clients;
- development and expansion of an intellectual property services business in Asia, which has included the acquisition of Advanz 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.



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

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

### 6.3. Business Sustainability Risks

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

#### Competition

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

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

#### Regulatory

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

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

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

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

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. The loss of key professionals poses a risk to the quality of the Group's service offering and potential revenue generation. There is significant management focus on initiatives to attract, engage, retain and facilitate the career and professional development of key personnel. This includes facilitating professional development through education, courses and involvement in professional associations; promotion of individuals on an annual basis – including to Principal – and where, practicable, role or geographical rotation. Offering a fulfilling work environment and rewarding work, continuing to invest in health and wellbeing programs for employees, and embracing diversity and inclusion and remunerating fairly, are key elements of retention and engagement. A process of determining succession planning arrangements for key personnel is a priority. Principals (apart from those Principals who received equity upon QANTM's IPO) also participate in an employee share plan.

### Foreign exchange risk

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

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

### Cyber Security

QANTM takes cyber security and its potential consequences extremely seriously.

QANTM's business is heavily dependent upon computerised technology platforms, including customised electronic case management, document management, file management, client relationship management and reporting systems. If the Group's ICT systems suffer severe damage, disruption or shutdown and the issues are not effectively resolved in a timely manner, then the Group's revenue, financial condition and results of operations may be materially and adversely affected and the Group may breach regulatory requirements. Any failure of the Group's ICT systems may result in the inability to file or prosecute the IP rights of their clients within statutory deadlines. Such a failure could result in the Group's clients forfeiting IP rights to which they would have otherwise been entitled. These events could lead to financial loss for the Group in the event that aggrieved clients initiate legal action against the Group. Depending on the circumstances the Group's insurance may be insufficient to cover some or all of the loss incurred.

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



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

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, including to support simplification and automation of some business processes, primarily to improve efficiency. These improvements will also assist in mitigating cyber security risks. This investment program is now directly overseen by the Chief Executive Officer after a restructure in the second half of FY22.

### 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 and operating and economic conditions in those markets. The Group undertakes extensive due diligence of any potential acquisition target or lateral hire and engages professional experts to advise and assist where necessary.

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

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

## 7. Significant changes in state of affairs

Martin Cleaver resigned as CFO and ceased employment with QANTM Group on 27 August 2021. Mr Peter Loosmore served as Interim CFO with effect from 30 August 2021 until 31 May 2022. Mr Brenton Lockhart commenced as CFO on 1 June 2022.

There were no other significant changes in the state of affairs of the Group during FY22.

8. Remuneration Report (Audited)

The directors present the remuneration report for the year ending 30 June 2022. 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 FY22. KMP refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

The report has been divided into the following sections:

- Identification of the KMP;
- Role of the People, Remuneration and Culture Committee;
- Non-Executive Director remuneration;
- Executive remuneration framework;
- Relationship between remuneration outcomes and Group Performance;
- FY22 Executive Incentive Outcomes
- Key terms of KMP employment contracts;
- Remuneration of KMP; and
- KMP equity holdings.

Key Management Personnel

The directors and other KMP of the Group during, or since the end of FY22, were as set out below.

Non-Executive Director	Position	Commencement and cessation dates
Mr Richard England	Non-Executive Chair	17 May 2016 (retired 24 May 2022)
Ms Sonia Petering	Non-Executive Director, and Chair from 24 May 2022	9 June 2016
Mr Gavin Bell	Non-Executive Director	1 March 2022
Ms Kathy Gramp	Non-Executive Director	11 May 2022
Mr Leon Allen	Non-Executive Director	1 July 2020
<b>Executive officers</b>		
Craig Dower	Chief Executive Officer and Managing Director (CEO)	13 January 2020 (as CEO) and 1 July 2020 (as Managing Director)
Martin Cleaver	Chief Financial Officer (CFO) and Company Secretary	30 August 2017 (resigned, ceased employment 27 August 2021)
Peter Loosmore	Interim CFO	30 August 2021 (ceased as Interim CFO 31 May 2022, upon Mr Lockhart's appointment)
Brenton Lockhart	CFO	1 June 2022

Of the KMP, Ms Petering, Mr Allen and Mr Dower held their respective positions for the whole of the financial year, with the other KMP holding their positions for part of the financial year, as indicated in the table above.

Three executives served in the role of CFO during the course of FY22 - Martin Cleaver resigned from his position as CFO effective 27 August 2021, Peter Loosmore served as interim CFO from 30 August 2021 to 31 May 2022 and Brenton Lockhart was appointed as the Group's new CFO with effect from 1 June 2022.

Role of the People, Remuneration and Culture Committee

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

Non-Executive Director Remuneration

Under the QANTM Constitution, the total amount of fees paid to all directors for their services (excluding for these purposes, the salary of an executive director) must not in any financial year exceed in aggregate \$850,000 or such higher maximum amount as is determined from time to time by the shareholders of the Company in general meeting. There has been no change in this aggregate fee limit since QANTM's ASX listing in 2016 during FY22, and the total fees received by Non-Executive Directors in FY22 was \$499,020. The current annual fees are:

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 FY22.

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. 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.

Executive Remuneration Framework

Total Fixed Remuneration (TFR)

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

The CEO and Managing Director, Mr Dower's total fixed remuneration remained at \$650,000 per annum throughout FY22, and increased to \$700,000/annum with effect from 1 July 2022, which is the first increase since Mr Dower's commencement with QANTM in January 2020. The total fixed remuneration of the CFO, Mr Cleaver, remained at \$375,000 per annum until he ceased employment on 27 August 2021, and Mr Loosmore's total fixed remuneration was also \$375,000 per annum throughout FY22. Mr Lockhart's total fixed remuneration as CFO during June 2022 was \$340,000 per annum.

Sign on Bonus

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

- Total value at issue of rights: \$400,000, with each right valued at \$1.35570, based on the volume weighted average selling price of QANTM's shares over the 5 ASX trading days immediately preceding the date of commencement of Mr Dower's employment on 13 January 2020.
- Vesting of rights: The rights vest, and are convertible into ordinary shares, in three tranches, on the business day after announcement of QANTM's half-year financial results in February 2021 (20%), 2022 (30%) and 2023 (50%) respectively.

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

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 and FY22: 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, and the second tranche vested on 9 May 2022, with 88,515 QANTM shares allocated to Mr Dower. The balance of 147,525 rights are not yet eligible to vest.

### Long Term Incentive (LTI) Plan

Mr Dower participated in an LTI Plan in FY22, with the issue of 570,174 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 2021. The key terms relating to the issue of these rights are as follows:

- Total value at issue of rights: \$649,999.36, with each right valued at \$1.14, 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 FY21, 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 2020 to 30 June 2023 (for 285,087 Rights described as the **FY21 Rights**), and over the period from 1 July 2021 to 30 June 2024 (for 285,087 Rights described as the **FY22 Rights**), as set out in the table below:

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

- Rights vesting in FY22: None of these performance rights vested, or were eligible to vest, in FY22.

With respect to Mr Cleaver, the vesting conditions with respect to 38,159 performance rights issued to him on 22 October 2020, were satisfied on 27 August 2021 and those rights vested as QANTM shares on that date, with no exercise price payable by Mr Cleaver. The vesting conditions for those rights, each of which was valued at \$1.04823 when issued, were satisfactory employment performance and continued employment until the business day after announcement of QANTM's full year results in August 2021. 257,270 other performance rights previously issued to Mr Cleaver lapsed with the cessation of his employment on 27 August 2021.

Mr Lockhart did not participate in an LTI Plan in FY22. It is intended that Mr Lockhart will participate in an LTI Plan 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.

Mr Loosmore did not participate in an LTI Plan in FY22.

### KMP Short Term Incentive (STI) Plan – FY22

During FY22, Messrs Dower and Loosmore 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. Mr Dower and Mr Lockhart will participate in an STI plan in accordance with their employment contracts with respect to FY23.

### STI Plan – Executive KMP FY22 Outcomes

With respect to Mr Dower, as noted in the Remuneration Report included in the 2021 QANTM Annual Report, the Board approved an STI payment of \$269,480 (including superannuation) with respect to performance in FY21, which was paid in September 2021.



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

With respect to performance in FY22, the Board approved an STI payment of \$81,250 to Mr Dower, representing 25% of his maximum STI opportunity. The following table provides details of the proportion of the maximum STI opportunity achieved with respect to FY22:

Maximum STI Opportunity for CEO	% of maximum opportunity achieved	% of maximum opportunity not achieved
50% of TFR	25%	75%

Mr Dower's STI payment was based on a combination of Company financial performance (60% weighting) and achievement of individual KPIs based on strategic initiatives (40% weighting).

With respect to Mr Cleaver, as noted in the Remuneration Report included in the 2021 QANTM Annual Report, the Board approved an STI payment of \$67,500 (including superannuation) relating to performance in FY21, which was paid in September 2021. This 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 Cleaver did not participate in an STI program with respect to performance in FY22.

With respect to Mr Loosmore, the Board approved an STI payment of \$22,500 (including superannuation) with respect to performance in FY22. The following table provides details of the proportion of Mr Loosmore's maximum STI opportunity achieved with respect to FY22:

Maximum STI Opportunity for CFO	% of maximum opportunity achieved	% of maximum opportunity not achieved
30% of TFR	20%	80%

Mr Lockhart did not receive an STI payment with respect to performance of his KMP role as CFO in June 2022. The relative proportions of executive KMP remuneration received that are linked to performance are set out below:

	Fixed remuneration		Remuneration linked to performance	
	2022	2021	2022	2021
<b>Executive Director</b>				
Craig Dower	76%	61%	24%	39%
<b>Other executive KMP</b>				
Martin Cleaver	90%	79%	10%	21%
Peter Loosmore	92%	n/a	8%	n/a
Brenton Lockhart	100%	n/a	0%	n/a



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

### Key terms of KMP Employment Contracts

The key provisions of executive KMP employment contracts relating to remuneration as at 30 June 2022 are outlined below:

	Term	Base salary	Notice period for QANTM to terminate employment
<b>Executive Director</b>			
Mr Craig Dower	Commenced 13 January 2020, no minimum term	\$650,000 (\$624,708 exclusive of superannuation) <sup>1</sup>	6 months
<b>Other executive KMP</b>			
Mr Martin Cleaver	Commenced 30 August 2017, no minimum term (resigned 27 August 2021)	\$375,000 (\$349,708 exclusive of superannuation)	6 months
Mr Peter Loosmore	Commenced as CFO 30 August 2021), 12 month minimum term	\$375,000 (\$349,708 exclusive of superannuation)	3 months
Mr Brenton Lockhart	Commenced as CFO 1 June 2022, no minimum term	\$340,000 (\$314,708 exclusive of superannuation)	6 months

Note: 1. Mr Dower's base salary increased to \$700,000/annum, including superannuation, with effect from 1 July 2022.

### 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, the following table sets out certain key performance measures since the Group was listed in 2016. This table reflects the effect of AASB 16 from 1 July 2019:

Financial Year	Revenue \$'000s	EBIT \$'000s	NPAT \$'000s	Dividends per share cents	EPS cents	EPS % change (year on year)	Share price 30 June \$
2017	99,520	11,018	7,180	8.9	5.40	-	\$1.27
2018	101,716	14,817	9,513	7.1	7.16	33%	\$1.05
2019	112,170	17,674	11,206	8.3	8.42	18%	\$1.42
2020	116,568	15,853	9,377	7.1	7.18	(15%)	\$1.18
2021	119,079	16,416	10,385	7.4	7.71	7%	\$1.16
2022	127,278	13,376	7,142	6.5	5.32	(31%)	\$0.96

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

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

	FY	Salary and fees	Cash bonus	Non-Monetary <sup>2</sup>	Other	Superannuation	Long Service and other Leave	Share based payments	Total
<b>Non-Executive Directors</b>									
Mr Richard England	2022	187,000	-	-	-	-	-	-	187,000
	2021	197,200	-	-	-	-	-	-	197,200
Ms Abigail Cheadle	2022	-	-	-	-	-	-	-	-
	2021	36,720	-	-	-	-	-	-	36,720
Mr Cameron Judson	2022	-	-	-	-	-	-	-	-
	2021	97,920	-	-	-	-	-	-	97,920
Ms Sonia Petering	2022	130,769	-	-	-	-	-	-	130,769
	2021	118,320	-	-	-	-	-	-	118,320
Mr Leon Allen	2022	122,400	-	-	-	-	-	-	122,400
	2021	118,320	-	-	-	-	-	-	118,320
Mr Gavin Bell	2022	37,662	-	-	-	3,768	-	-	41,430
	2021	-	-	-	-	-	-	-	-
Ms Kathy Gramp	2022	15,385	-	-	-	1,584	-	-	16,969
	2021	-	-	-	-	-	-	-	-
<b>Executive Director:</b>									
Mr Craig Dower	2022	630,351	81,250	8,551	-	28,401	10,482	135,777	894,812
	2021	632,287	269,480	9,288	-	21,694	10,436	166,512	1,109,697
<b>Executive Officers</b>									
Mr Martin Cleaver	2022	70,667	-	-	-	5,707	-	8,225	84,599
	2021	354,038	67,500	-	-	21,694	6,567	32,597	482,396
Mr Peter Loosmore	2022	245,321	22,500	-	-	21,632	5,032	-	294,486
	2021	-	-	-	-	-	-	-	-
Mr Brenton Lockhart	2022	25,558	-	-	-	589	446	-	26,593
	2021	-	-	-	-	-	-	-	-



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

Explanatory notes to the table on the preceding page:

- <sup>1</sup> On an accruals, rather than cash, basis.
- <sup>2</sup> Relates to car parking.

### Bonuses and share-based payments granted as compensation for FY22

#### Cash bonuses

The table above notes the cash bonuses awarded to KMP with respect to performance in FY22.

#### Executive Long Term Incentive Plan

The Company has implemented a Long Term Incentive Plan for corporate executives, involving the award of performance rights to executives, each of which is convertible into one QANTM ordinary share upon the satisfaction of vesting conditions which include continued employment over a vesting period, in some cases satisfaction of conditions related to performance and in some cases achievement of compound annual growth in earnings per share for QANTM issued shares. Details of the performance rights issued to KMP, and/or vesting as QANTM shares during FY21 and FY22 are set out earlier in this report.

#### KMP equity holdings

The number of shares in the Company held at the beginning and end of FY22 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.

	Balance at 1 July 2021	Granted as compensation during the year	Received on exercise of rights during the year	Other changes during the year	Balance at 30 June 2022
Name	Number of ordinary shares	Number of ordinary shares	Number or ordinary shares	Number of ordinary shares	Number of ordinary shares
Mr Richard England	135,134	-	-	-	135,134 <sup>1</sup>
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>2</sup>	59,010	-	88,515	-	147,525
Mr Martin Cleaver	21,000	-	38,159 <sup>3</sup>	-	59,159 <sup>4</sup>
Mr Brenton Lockhart	-	-	-	-	-
Mr Peter Loosmore	-	-	-	-	-

Explanatory notes:

- 1 Share balance as at Mr England's retirement from the Board on 24 May 2022.
- 2 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, and a further 88,515 rights vested and were converted into QANTM ordinary shares during FY22.
- 3 Rights vesting as shares on 27 August 2021, as detailed above in the section headed *Long Term Incentive (LTI) Plan*.
- 4 This was the number of shares held as at the date of Mr Cleaver's cessation of employment on 27 August 2021.

## 9. Dividends paid or recommended

The following dividends were paid or declared during the period:

A final fully franked ordinary dividend of 3.4 cents per share was paid on 7 October 2021: \$ 4.6 million

An interim fully franked ordinary dividend of 3.0 cents per share was paid on 6 April 2022: \$ 4.1 million

In respect of the year ended 30 June 2022, the directors resolved to approve a fully franked final dividend of 3.5 cents per share. The record date will be 6 September 2022 and the dividend is scheduled to be paid on 6 October 2022. 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 (2021: \$4.6 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*.

15.Indemnification and insurance of officers and auditors (continued)

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

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

16.Non-audit services

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

17.Auditor's independence declaration

The auditor's independence declaration, in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2022, has been received and can be found on page 26 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 30th day of August 2022



Deloitte.

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30 August 2022

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

Dear Board Members

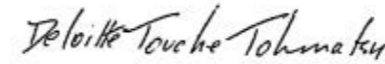
Auditor's Independence Declaration to QANTM Intellectual Property Limited

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

As lead audit partner for the audit of the financial report of QANTM Intellectual Property Limited for the financial year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Belinda Abbott  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

		2022 \$'000	2021 \$'000
	Note		
Service charges		96,603	92,355
Associate charges		30,675	26,724
<b>Total Revenue from Contracts with Customers</b>	3(a)	<b>127,278</b>	119,079
Other income	3(b)	3,174	1,869
Employee benefits expenses		(60,122)	(57,348)
Recoverable expenses		(29,256)	(25,350)
Occupancy expenses		(2,049)	(1,959)
Technology expenses		(8,107)	(5,526)
Business acquisition expenses		(1,104)	(379)
Other expenses	4	(8,236)	(6,675)
<b>Earnings before depreciation and amortisation, finance costs and income tax</b>		<b>21,578</b>	23,711
Depreciation and amortisation		(8,202)	(7,295)
<b>Earnings before finance costs and income tax</b>		<b>13,376</b>	16,416
Finance costs		(2,359)	(1,610)
<b>Profit before income tax</b>		<b>11,017</b>	14,806
Income tax expense	5(a)	(3,875)	(4,421)
<b>Net profit for the year</b>		<b>7,142</b>	10,385
<b>Other comprehensive (loss) / income, net of income tax</b>			
Exchange differences on translating foreign operations		(587)	21
<b>Total comprehensive income for the year</b>		<b>6,555</b>	10,406
<b>Net profit / (loss) attributable to:</b>			
Members of the parent entity		7,284	10,473
Non-controlling interests		(142)	(88)
		<b>7,142</b>	10,385
<b>Total comprehensive income / (loss) attributable to:</b>			
Members of the parent entity		6,697	10,494
Non-controlling interests		(142)	(88)
		<b>6,555</b>	10,406
<b>Earnings per share</b>			
Basic earnings per share (cents)	21	5.32	7.71
Diluted earnings per share (cents)	21	5.29	7.68

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022



		2022 \$'000	2021 \$'000
	Note		
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	7,417	5,722
Trade and other receivables	7	38,784	37,235
Other assets	8	1,774	1,925
Current tax asset		176	-
<b>Total current assets</b>		<b>48,151</b>	44,882
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	1,644	2,276
Right-of-use assets	10	8,694	13,218
Intangible assets	11	84,268	74,659
<b>Total non-current assets</b>		<b>94,606</b>	90,153
<b>TOTAL ASSETS</b>		<b>142,757</b>	135,035
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	14,143	13,527
Provisions	13	8,027	7,766
Borrowings	14	3,621	1,995
Lease liability	15	3,617	4,467
Other financial liabilities	16	1,500	751
Current income tax liabilities		-	29
<b>Total current liabilities</b>		<b>30,908</b>	28,535
<b>NON-CURRENT LIABILITIES</b>			
Provisions	13	226	413
Borrowings	14	27,553	19,868
Lease liability	15	7,357	10,835
Other financial liabilities	16	1,228	-
Deferred tax liabilities	17	3,540	2,554
<b>Total non-current liabilities</b>		<b>39,904</b>	33,670
<b>TOTAL LIABILITIES</b>		<b>70,812</b>	62,205
<b>NET ASSETS</b>		<b>71,945</b>	72,830
<b>EQUITY</b>			
Issued capital	18	298,948	297,408
Reserves	19	(223,223)	(222,396)
Non-controlling interest		(416)	(274)
Accumulated losses		(3,364)	(1,908)
<b>TOTAL EQUITY</b>		<b>71,945</b>	72,830

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

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>-</b>	<b>-</b>	<b>-</b>	<b>-</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)	-	-	-	-
Share based payment	-	-	-	240	-	-	-	240
<b>Balance at 30 June 2022</b>	<b>298,948</b>	<b>(222,856)</b>	<b>-</b>	<b>302</b>	<b>(669)</b>	<b>(416)</b>	<b>(3,364)</b>	<b>71,945</b>

2021

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

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022



### CASH FLOWS FROM OPERATING ACTIVITIES:

	2022 \$'000	2021 \$'000
Receipts from customers	134,580	123,040
Payments to suppliers and employees	(112,272)	(96,855)
Interest and costs of finance paid	(1,651)	(933)
Income tax paid	(4,631)	(5,426)
<b>Net cash generated from operating activities</b>	<b>16,026</b>	<b>19,826</b>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Payments for purchase of property, plant and equipment	9	(501)	(816)
Payments for intangible assets	11	(443)	(837)
Payments to business acquisition	28	(6,657)	(715)
Business acquisition related costs		(1,104)	(379)
<b>Net cash used in investing activities</b>		<b>(8,705)</b>	<b>(2,747)</b>

### CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from bank borrowings	32(b)	11,750	20,556
Repayment of bank borrowings	32(b)	(3,600)	(22,306)
Payment of lease liabilities	32(b)	(5,036)	(5,200)
Dividends paid		(8,740)	(10,529)
<b>Net cash used in financing activities</b>		<b>(5,626)</b>	<b>(17,479)</b>

Net increase / (decrease) in cash and cash equivalents		1,695	(400)
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	(41)
Cash and cash equivalents at beginning of year		5,722	6,163
Cash and cash equivalents at end of year	6	7,417	5,722

The accompanying notes form part of these financial statements.

## 1 Statement of Significant Accounting Policies

### General Information

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

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

### Statement of Compliance

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

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

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

### Basis of Preparation

The financial statements have been prepared on an 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. The financial statements are presented in Australian dollars (unless otherwise noted), which is QANTM's functional and presentation currency.

#### (a) Group Reorganisation Reserve

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

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



## 1 Statement of Significant Accounting Policies (continued)

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

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

### (c) Business Combinations

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

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

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

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

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

#### Goodwill

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

- the consideration transferred;
- any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- the acquisition date fair value of any previously held equity interest; over the acquisition date, fair value of net identifiable assets acquired.

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

Goodwill on the acquisition of subsidiaries is included in intangible assets.

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

**(c) Business Combinations (continued)**

**Goodwill (continued)**

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

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

**(d) Revenue Recognition**

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

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

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

The Group 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 trademark with IP Australia, examination, advisory, grant and maintenance/renewal services has 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 a credit terms of 30 days.



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

**(d) Revenue Recognition (continued)**

*Associate Charges*

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

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

*Interest Revenue*

Interest is recognised using the effective interest method.

**(e) Earnings Per Share**

*Basic Earnings Per Share*

Basic earnings per share 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.

**(f) Recoverable Expenses**

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

**(g) Fair Value of Assets and Liabilities**

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

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

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 16 and measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136 'Impairment of Assets'.

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

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

In addition, for financial reporting purposes, fair value measurements are categorised into 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.

**(h) Foreign currency transactions and balances**

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

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

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

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

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

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

**(i) Income Tax**

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

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



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

**(i) Income Tax (continued)**

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

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

*Current Tax*

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

*Deferred Tax*

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

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

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

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

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

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

*Current and Deferred Tax for the Period*

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

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

**(i) Income Tax (continued)**

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

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

*Deferred Tax Measurement Relating to Indefinite Life Intangible Assets*

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

**(j) Cash and Cash Equivalents**

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

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

**(k) Financial Instruments**

**Initial Recognition and Measurement**

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

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

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

*Financial liabilities*

Financial liabilities are subsequently measured at:

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

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

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



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

**(k) Financial Instruments (continued)**

*Financial liabilities (continued)*

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

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

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

A financial liability is held for trading if it is:

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

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

A financial liability cannot be reclassified.

*Financial Assets*

Financial assets are subsequently measured at:

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

Measurement is on the basis of two primary criteria:

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

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

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

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

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

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

1 Statement of Significant Accounting Policies (continued)

(k) Financial Instruments (continued)

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

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

**Derecognition**

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

*Derecognition of Financial Liabilities*

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

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

*Derecognition of Financial Assets*

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

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

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

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

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



1 Statement of Significant Accounting Policies (continued)

(k) Financial Instruments (continued)

**Impairment**

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

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

(l) **Property, Plant and Equipment**

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

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

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

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

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

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

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

1 Statement of Significant Accounting Policies (continued)

(m) Intangibles

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

**Goodwill**

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

**Intangible Assets Acquired Separately**

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

*Customer Relationships*

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

Customer relationships are amortised over a period of between 16 and 24 years. The estimated useful lives, residual values and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

*Brand Names*

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

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

*Goodwill*

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

**Amortisation rates:**

Class of intangibles	Amortisation rate	Amortisation basis
Client relationships	16 - 24 years	Straight line
Software	5 years	Straight line

*Derecognition of Intangible Assets*

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



1 Statement of Significant Accounting Policies (continued)

(m) Intangibles (continued)

*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 obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

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

Refer to note 1 (x) Critical Accounting Estimates and Judgements.

(n) Impairment of Assets

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

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

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

(o) Provisions

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

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.

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

**(p) Leases**

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

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

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

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

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

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

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

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

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

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



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

**(p) Leases (continued)**

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

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

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

Variable rents that do not depend on an index or rate are not included in the measurement 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 "Other expenses" in profit or loss.

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

**(q) Employee Benefits**

*Short and Long-Term Employee Benefit*

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

*Other Long-Term Employee Benefits*

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

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

1 Statement of Significant Accounting Policies (continued)

(q) Employee Benefits (continued)

*Defined Contribution Superannuation Benefits*

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 10.5 per cent of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

(r) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

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

(s) Share Based Payments

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

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

(t) Borrowing Costs

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

(u) Share Capital

Ordinary shares are classified as equity.

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

(v) Dividends

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



1 Statement of Significant Accounting Policies (continued)

(w) Rounding of Amounts

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

(x) Critical Accounting Estimates and Judgements

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

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

**Key Judgement and Sources of Estimation Uncertainty**

*Goodwill and Other Indefinite Life Intangible Assets*

The Group tests annually, or more frequently, if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1(n). Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating unit to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the impairment testing are in Note 11.

*Lease term and option to extend under AASB 16*

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

*Covid-19*

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

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

1 Statement of Significant Accounting Policies (continued)

(x) Critical Accounting Estimates and Judgements (continued)

Key Judgement and Sources of Estimation Uncertainty (continued)

*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.

(y) Accumulated immaterial misstatement identified in prior periods

The Group has adjusted for accumulated immaterial misstatements identified in prior periods. These adjustments largely related to the application of the guidance obtained from the IFRS Interpretations Committee ("IFRIC") for Software as a Service ("SaaS") and inconsistencies within the accounting for the Right-of-Use Asset and Lease Liability under AASB 16 Leases. The pre-tax impact of these prior period items adjusted for in the current period on the consolidated statement of financial position as at 30 June 2022 was a decrease to the right-of-use asset of \$167,000, a decrease in intangible assets of \$182,000 and an increase to lease liabilities of \$421,000. The impact to net assets is a \$694,000 decrease. The impact to earnings before finance costs, income tax, depreciation and amortisation is a \$495,000 decrease.

The table below shows the adjusted amounts for prior periods included within the reported consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2022:

	Prior period items adjusted in the current year effected to final position \$'000	Final position for the 12 months ended 30 June 2022 \$'000
<b>Impact on Consolidated Statement of Profit and Loss and Other Comprehensive Income</b>		
Earnings before finance costs, income tax, depreciation and amortisation	(495)	21,578
Amortisation	(167)	(8,202)
Net finance costs	(421)	(2,359)
Profit before income tax	(1,083)	11,017
Profit after income tax	(758)	7,142



1 Statement of Significant Accounting Policies (continued)

(z) Accounting Standards Issued But Not Yet Effective

AASB 2020-7: Amendments to Australian Accounting Standards – COVID -19 Related Rent Concessions: Tier 2 disclosures (AASB 16 and AASB 1060)

AASB 2021-3: Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021

AASB 2020-1: Amendments to Australian Accounting Standards – Classifications 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

AASB 2014–10: Sale or contribution of Assets between an Investor and its Associate or Joint Venture

AASB 2017-5: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

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

AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (amends AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2)

AASB 2020-9: Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments

## 2 Segment Information

### Basis for segmentation

AASB 8 requires operating segments to be identified based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group operates in two geographic locations, which are its reportable segments. The Group has identified its operating segments based on geographical locations being Australia and Asia.

	AUSTRALIA <sup>1</sup>		ASIA		TOTAL	
Full-year ended	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Service charges	90,396	86,906	6,207	5,449	96,603	92,355
Associate charges	28,950	24,631	1,725	2,093	30,675	26,724
<b>Total Revenue</b>	<b>119,346</b>	<b>111,537</b>	<b>7,932</b>	<b>7,542</b>	<b>127,278</b>	<b>119,079</b>
Other income	2,614	1,661	560	208	3,174	1,869
Recoverable expenses	(27,614)	(23,283)	(1,642)	(2,067)	(29,256)	(25,350)
<b>Net Revenue</b>	<b>94,346</b>	<b>89,915</b>	<b>6,850</b>	<b>5,683</b>	<b>101,196</b>	<b>95,598</b>
Overheads	(74,422)	(65,463)	(4,092)	(4,074)	(78,514)	(69,537)
<b>Earnings Before Interest, Tax, Depreciation and Amortisation</b>	<b>19,924</b>	<b>24,452</b>	<b>2,758</b>	<b>1,609</b>	<b>22,682</b>	<b>26,061</b>
Depreciation	(1,053)	(706)	(76)	(238)	(1,129)	(944)
Amortisation	(6,419)	(6,086)	(654)	(265)	(7,073)	(6,351)
<b>Segment profit before finance costs and income tax</b>	<b>12,452</b>	<b>17,660</b>	<b>2,028</b>	<b>1,106</b>	<b>14,480</b>	<b>18,766</b>
<b>Adjustments to reconcile to statutory profit</b>						
Unallocated adjustments				(1,104)		(2,350)
<b>Statutory profit before finance costs and income tax</b>				<b>13,376</b>		<b>16,416</b>
Finance costs – Interest				(2,359)		(1,610)
<b>Profit for the period before income tax</b>				<b>11,017</b>		<b>14,806</b>

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

### Major customers

No single customer contributed 10 per cent or more of the Group's revenue during either the year-ended 30 June 2022 or 30 June 2021.



## 3 Revenue and Other Income

### (a) Revenue from Contracts Contract

#### Disaggregated revenue

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

	2022 \$'000	2021 \$'000
<b>Geographical markets</b>		
Australia <sup>1</sup>	119,346	111,537
Asia	7,932	7,542
	<b>127,278</b>	<b>119,079</b>
<b>Service Lines</b>		
Service charges	96,603	92,355
Associate charges	30,675	26,724
	<b>127,278</b>	<b>119,079</b>
<b>Timing of revenue recognition</b>		
At a point in time	78,362	68,191
Over time	48,916	50,888
	<b>127,278</b>	<b>119,079</b>

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

### (b) Other income

Foreign exchange gain	912	-
Other income	2,262	1,869
	<b>3,174</b>	<b>1,869</b>

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

		2022 \$'000	2021 \$'000
	Note		
<b>4 Other Expenses</b>			
The result for the year includes the following other expenses:			
– Travel and entertainment		1,113	231
– Marketing		1,696	947
– Foreign exchange loss		-	1,136
– Insurance expense		1,712	1,524
– Other expenses		3,715	2,837
		<b>8,236</b>	<b>6,675</b>
<b>5 Income Tax Expense</b>			
(a) The major components of tax expense comprise:			
Current tax expense		4,383	4,465
Deferred tax expense	5(b)	(712)	81
Over / under provision from previous years		204	(125)
<b>Income tax expense</b>	5(c)	<b>3,875</b>	<b>4,421</b>
(b) Deferred income tax expense included in income tax expense comprises:			
(Increase) / decrease in deferred tax asset		1,545	1,063
Increase / (decrease) in deferred tax liability		(2,257)	(982)
		<b>(712)</b>	<b>81</b>
(c) Numerical reconciliation of income tax expense to prima facie tax payable:			
Profit before income tax		11,017	14,806
Income tax expenses calculated at 30%		3,305	4,442
Tax effect of differential corporate tax rate		-	(53)
<b>Add tax effect of:</b>			
- Non-deductible expenses		108	10
- Other		38	22
- Tax losses unable to be utilised		424	-
<b>Income tax expense</b>		<b>3,875</b>	<b>4,421</b>
The applicable weighted average effective tax rates are as follows:		35%	30%



		2022 \$'000	2021 \$'000
	Note		
<b>5 Income Tax Expense (continued)</b>			
(d) Unrecognised deferred tax asset:			
The amount of unused capital tax losses for which no deferred tax asset has been recognised.			
Potential tax benefit at 30 per cent (2021: 30 per cent)		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 2022 New Zealand tax losses of \$476,000 exist (2021: nil) that continue to be assessed for ability of QANTM to utilise these losses, to satisfy New Zealand tax requirements and therefore have not at 30 June 2022 been included in the above.			
<b>6 Cash and Cash Equivalents</b>			
Cash on hand		8	10
Cash at bank		7,409	5,712
		<b>7,417</b>	<b>5,722</b>
<b>7 Trade and Other Receivables</b>			
CURRENT			
Trade receivables	7(a)	38,916	37,512
Less: Provision for expected credit loss	7(b)	(747)	(655)
		<b>38,169</b>	<b>36,857</b>
Other receivables		615	378
<b>Total current trade and other receivables</b>		<b>38,784</b>	<b>37,235</b>
(a) Aged analysis			
The ageing analysis of current trade receivables is as follows:			
0-30 days		19,645	19,134
31-60 days		5,733	5,502
61-90 days (past due not impaired)		3,518	3,887
91+ days (past due not impaired)		9,273	8,334
91+ days (past due and impaired)		747	655
		<b>38,916</b>	<b>37,512</b>
(b) Impairment of trade receivables			
Reconciliation of changes in the provision for impairment of trade receivables is as follows:			
Balance at beginning of the year		655	752
Additional provisions recognised		377	303
Receivables written off during the year as uncollectable		(285)	(400)
<b>Balance at end of the year</b>		<b>747</b>	<b>655</b>

		2022 \$'000	2021 \$'000
	Note		
<b>8 Other assets</b>			
CURRENT			
Prepayments		1,774	1,925
<b>9 Property, plant and equipment</b>			
<b>Leasehold improvements</b>			
At cost		2,079	2,079
Accumulated depreciation		(2,049)	(2,031)
Net carrying value of leasehold improvements		30	48
<b>Office equipment</b>			
At cost		6,045	5,541
Accumulated depreciation		(4,431)	(3,313)
Net carrying value office equipment		1,614	2,228
<b>Total property, plant and equipment</b>		<b>1,644</b>	<b>2,276</b>

**(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>2021</b>				
<b>Opening balance at 1 July 2020</b>		48	2,228	2,276
Additions at cost		3	813	816
Depreciation expense		(50)	(894)	(944)
<b>Closing balance at 30 June 2021</b>		<b>48</b>	<b>2,228</b>	<b>2,276</b>
<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>		<b>30</b>	<b>1,614</b>	<b>1,644</b>

		2022 \$'000	2021 \$'000
	Note		
<b>10 Right-of-use asset</b>			
<b>Leased buildings</b>			
Right-of-use asset		21,778	21,778
Accumulated amortisation		(13,084)	(8,628)
		8,694	13,150
<b>Leased motor vehicles</b>			
Right-of-use asset		544	544
Accumulated amortisation		(544)	(476)
		-	68
<b>Total Right-of-use asset</b>		<b>8,694</b>	<b>13,218</b>

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

	Leased buildings \$'000	Lease motor vehicles \$'000	Total \$'000
<b>2021</b>			
<b>Opening balance as at 1 July 2020</b>	15,503	269	15,772
Foreign currency translation adjustment to opening balance	(53)	-	(53)
Additions	2,006	-	2,006
Amortisation	(4,306)	(201)	(4,507)
<b>Closing balance as at 30 June 2021</b>	<b>13,150</b>	<b>68</b>	<b>13,218</b>
<b>2022</b>			
<b>Opening balance as at 1 July 2021</b>	13,150	68	13,218
Foreign currency translation adjustment to opening balance	(63)	-	(63)
Additions	-	-	-
Amortisation	(4,393)	(68)	(4,461)
<b>Closing balance as at 30 June 2022</b>	<b>8,694</b>	<b>-</b>	<b>8,694</b>

The Group leases several buildings. The average lease term is 6 years, with a remaining average lease term of 2 years. The right-of-use asset addition in FY21 of \$2,006,000 relates to the new DDC Singapore office head lease.

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

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

	2022 \$'000	2021 \$'000
Amortisation charge related to right-of-use assets	(4,461)	(4,507)
Interest expense on lease liabilities (under finance costs)	(708)	(677)
Short-term lease expenses	-	-
<b>Total expenses recognised in the statement of profit loss</b>	<b>(5,169)</b>	<b>(5,184)</b>

**11 Intangible Assets**

**Goodwill**

		2022 \$'000	2021 \$'000
Balance at beginning of period		48,793	48,793
Acquisitions through business combinations	28	6,357	-
Foreign currency translation		(329)	-
Accumulated impairment losses		-	-
Net carrying value of goodwill		<u>54,821</u>	<u>48,793</u>

**Brand names**

Balance at beginning of period		4,521	4,521
Acquisitions through business combinations	28	970	-
Foreign currency translation		(50)	-
Amortisation charge for the period		(332)	-
Net carrying value of brand names		<u>5,109</u>	<u>4,521</u>

**Client relationships**

Balance at beginning of period		25,328	25,328
Acquisitions through business combinations	28	-	-
Accumulated amortisation bought forward		(5,348)	(4,074)
Amortisation charge for the period		(1,274)	(1,274)
Net carrying value of client relationships		<u>18,706</u>	<u>19,980</u>

**Software**

Balance at beginning of period		2,568	1,731
Additions at cost		443	837
Acquisitions through business combinations	28	5,095	-
Foreign currency translation		(264)	-
Accumulated amortisation bought forward		(1,203)	(633)
Amortisation charge for the period		(1,007)	(570)
Net carrying value of software		<u>5,632</u>	<u>1,365</u>

<b>Total Intangibles</b>		<u><b>84,268</b></u>	<u><b>74,659</b></u>
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**(a) Movements in carrying amounts of intangible assets**

	Note	Goodwill \$'000	Brand Name \$'000	Client Relationship \$'000	Software \$'000	Total \$'000
<b>2021</b>						
Opening balance at 1 July 2020		48,793	4,521	21,254	1,098	75,666
Additions		-	-	-	837	837
Amortisation		-	-	(1,274)	(570)	(1,844)
Closing balance at 30 June 2021		<u>48,793</u>	<u>4,521</u>	<u>19,980</u>	<u>1,365</u>	<u>74,659</u>



**11 Intangible Assets (continued)**

**(a) Movements in carrying amounts of intangible assets (continued)**

	Note	Goodwill \$'000	Brand Name \$'000	Client Relationship \$'000	Software \$'000	Total \$'000
<b>2022</b>						
Opening balance at 1 July 2021		48,793	4,521	19,980	1,365	74,659
Foreign currency translation		(329)	(50)	-	(264)	(643)
Additions		-	-	-	443	443
Additions through business combinations	28	6,357	970	-	5,095	12,422
Amortisation		-	(332)	(1,274)	(1,007)	(2,613)
Closing balance at 30 June 2022		<u>54,821</u>	<u>5,109</u>	<u>18,706</u>	<u>5,632</u>	<u>84,268</u>

**(b) Cash-Generating Unit**

On 14 June 2022 the Group commenced the process of integrating Cotters into DCC Australia and FPA Australia. Integrating Cotters will simplify QANTM's overall operations, resulting in improved efficiencies, reduced costs, and increased client opportunities, as well as enhanced career opportunities for our people.

The integration of above has resulted in a change in Cash-Generating Units (CGU's) with the Cotters goodwill of \$2,957,000 being allocated between the DCC CGU and the FPA CGU. \$503,000 has been allocated to the DCC CGU and \$2,454,000 to the FPA CGU. The below table shows reallocation of goodwill from 1 July 2021 to 30 June 2022.

	DCC \$'000	FPA \$'000	Cotters \$'000	Total \$'000
Opening balance at 1 July 2021	-	45,836	2,957	48,793
Goodwill reallocation	503	2,454	(2,957)	-
Closing balance at 30 June 2022	<u>503</u>	<u>48,290</u>	<u>-</u>	<u>48,793</u>



	2022 \$'000	2021 \$'000
<b>Note</b>		
<b>11 Intangible Assets (continued)</b>		
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.		
<b>(b) Cash-Generating Unit (continued)</b>		
<b>DCC</b>		
Goodwill	503	-
Intangible assets not ready for use (software)	673	-
Software (at amortised cost)	587	-
	<b>1,763</b>	-
<b>FPA</b>		
Goodwill	48,290	45,836
Brand names	2,700	2,700
Customer relationships (at amortised cost)	13,646	14,611
Intangible assets not ready for use (software)	262	-
Software (at amortised cost)	23	87
	<b>64,921</b>	63,234
<b>Cotters</b>		
Goodwill	-	2,957
Brand names	-	1,003
Customer relationships (at amortised cost)	-	3,093
	-	7,053
<b>Sortify</b>		
Goodwill	6,028	-
Brand names	920	-
Software (at amortised cost)	4,069	-
	<b>11,017</b>	-

## 11 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 potential impact of COVID has been factored in to the future cash flow forecasts. The VIU model has been used to test the impairment of intangible assets, including goodwill.

#### 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 3.7 per cent for FY2023, increase by 4.0 per cent for FY2024, increase of 3.5% from FY2025 to FY2026 and increase by 3.0 per cent for FY2027;
- overhead costs based from FY2023 to FY2027 of 2.5 – 3.3 per cent;
- in the period beyond 5 years a long-term growth rate of 2.5 per cent; and
- post-tax discount rate of 11.5 per cent.

The assumptions are based on the Group's forecast operating and financial performance of FPA reflecting prior performance, current growth rate achieved and the historic growth of patent applications in Australia. The discount rate is derived from the Group's weighted average cost of capital, adjusted for varying risk profiles. The key assumptions used in the VIU calculations represent management's best estimate at 30 June 2022.

Based on the recoverable amount of the FPA CGU exceeding its aggregate carrying amount at 30 June 2022 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 fair value less cost of disposal (FVLCD) model 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:

- 5 year revenue CAGR of 40 per cent;
- in the period beyond 5 years a long-term growth rate of 2.5 per cent; and
- a post-tax discount rate of 25.0 per cent.

The assumptions are based on the Group's forecast operating and financial performance of Sortify. Revenue growth assumptions are based 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, and is well progressed in preparations to launch in a number of other international markets.

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 returned required on investment. The key assumptions used in the fair value less cost of disposal calculations represent management's best estimate at 30 June 2022.

Based on the recoverable amount of the Sortify CGU exceeding its aggregate carrying amount at 30 June 2022 there was no impairment charge.

Management has considered the impact of changes in future cash flows and key assumptions on the base case FVLCD model, to create a sensitised FVLCD model. The calculation of FVLCD is most sensitive to the following assumptions:

**11 Intangible Assets (continued)**

**(c) Impairment Testing (continued)**

*Sortify (continued)*

- Revenue; and
- Discount rates

Revenue is based on average values expected to be achieved in the five years after the beginning of the budget period. Revenue is increased over the budget period for anticipated improved performance. Decreased demand can lead to a decline in revenue. A sensitivity reduction of revenue by 35% would result in a breakeven position/potential impairment.

Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money. The discount rate calculation is based on the specific circumstances of the Group and its operations and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. An increase in the pre-income discount rate to 29.7%, to reflect potential future increases in government bond yields and associated risk-free rates, would result in a breakeven position/potential impairment.

Therefore, given the above considerations of the sensitivities, we note that reasonable changes in these assumptions could result in impairment.

*DCC*

The recoverable amount of the DCC 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 5.5 per cent for FY2023 and increase by 4.0 per cent from FY2024 to FY27;
- overhead costs based on long term growth rate of 2.5 per cent;
- in the period beyond 5 years a long-term growth rate of 2.5 per cent; and
- post-tax discount rate of 11.5 per cent.

The assumptions are based on the Group's forecast operating and financial performance of DCC 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 2022.

Based on the recoverable amount of the DCC CGU exceeding its aggregate carrying amount at 30 June 2022 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.



**12 Trade and Other Payables**

	2022 \$'000	2021 \$'000
CURRENT		
Trade payables	7,682	7,992
GST payable	119	84
Other payables and accruals	6,342	5,451
<b>Total current trade and other payables</b>	<b>14,143</b>	<b>13,527</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.

**13 Provisions**

CURRENT		
Employee benefits	8,027	7,766
<b>Total current provisions</b>	<b>8,027</b>	<b>7,766</b>
NON-CURRENT		
Employee benefits	226	413
<b>Total non-current provisions</b>	<b>226</b>	<b>413</b>

**(a) Movement in Carrying Amounts**

	Employee Benefits \$'000
<b>2021</b>	
Opening balance at 1 July 2020	6,799
Additional provisions	3,388
Provisions used	(2,008)
<b>Closing balance at 30 June 2021</b>	<b>8,179</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>

**14 Borrowings**

**CURRENT**

Bank loans

**Total current borrowings**

**NON-CURRENT**

Bank loans

**Total non-current borrowings**

**Total borrowings**

**(a) Total Current and Non-Current Secured Borrowings**

Bank loans

**(b) Summary of Borrowing Arrangements**

During FY21 the Group entered into a new banking facility agreement with HSBC consisting of:

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

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

The agreement under which the facilities have been made available contains financial covenants typical for facilities of this nature. The covenants which are tested quarterly (unless otherwise specified in the facility agreement), relate to the net leverage ratio, borrowing base ratio, debt service cover ratio, gearing ratio and current ratio. The Company has operated within these covenants during the period.

	2022 \$'000	2021 \$'000
Amount unutilised	27,176	37,092
Amount utilised	31,174	21,863
	<b>58,350</b>	<b>58,955</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.

**15 Lease liability**

**Maturity analysis:**

Year 1

Year 2

Year 3

Year 4

Year 5

Onwards

**Less: interest payable**

**Analysed as:**

Current

Non-current

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

**16 Other Financial Liabilities**

**CURRENT**

Forward exchange contracts

Deferred consideration Cotters<sup>1</sup>

Deferred consideration Sortify<sup>2</sup>

**NON-CURRENT**

Deferred consideration<sup>2</sup>

Total Other Financial Liabilities

<sup>1</sup> Deferred consideration balances in prior year relates to acquisition of Cotters Patent and Trademark Attorneys, which occurred on 22 May 2020.

<sup>2</sup> Deferred consideration balances in the current year relates to acquisition of Sortify.tn, which occurred on 30 September 2021.

**17 Deferred Income Tax**

	Opening Balance	Recognised in Profit or Loss	Acquisitions	Closing Balance
	\$'000	\$'000	\$'000	\$'000
<b>2021</b>				
<b>Deferred Tax Asset</b>				
Black hole expenses	878	(845)	-	33
Trade payables	742	(750)	-	(8)
Provisions	2,787	1,068	-	3,855
Lease liability	5,382	(710)	-	4,672
Unused tax losses	218	174	-	392
	10,007	(1,063)	-	8,944
<b>Deferred Tax Liability</b>				
Trade receivables	(43)	(65)	-	(108)
Other assets	(243)	(148)	-	(95)
Property, plant and equipment	39	10	-	49
Right-of-use asset	(4,732)	581	-	(4,151)
Intangible assets	(7,503)	310	-	(7,193)
Trade payables	2	(2)	-	-
	(12,480)	982	-	(11,498)
<b>Net deferred tax</b>	<b>(2,473)</b>	<b>(81)</b>	<b>-</b>	<b>(2,554)</b>
	Opening Balance	Recognised in Profit or Loss	Acquisitions	Closing Balance
	\$'000	\$'000	\$'000	\$'000
<b>2022</b>				
<b>Deferred Tax Asset</b>				
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
	8,944	(1,545)	-	7,407
<b>Deferred Tax Liability</b>				
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)
	(11,506)	2,257	(1,698)	(10,947)
<b>Net deferred tax</b>	<b>(2,554)</b>	<b>712</b>	<b>(1,698)</b>	<b>(3,540)</b>



**18 Issued Capital**

	2022 \$'000	2021 \$'000
<b>Fully Paid Ordinary Shares</b>	<b>298,948</b>	<b>297,408</b>
<b>(a) Ordinary Shares</b>		
	2022 No.	2021 No.
<b>At the beginning of the reporting period</b>	<b>136,059,964</b>	<b>134,298,552</b>
Shares issued during the year:		
Issued to employee share trust	-	1,348,539
Issue for business acquisition	1,211,672	334,784
Issued to employees under employee incentive schemes	226,986	78,089
<b>At the end of the reporting period</b>	<b>137,498,622</b>	<b>136,059,964</b>
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>(b) Employee Incentive Schemes</b>		
In the current year, 52,614 shares were issued as incentives to key employees of Sortify.tm Ltd following its acquisition by QANTM, and 174,372 shares were issued to employees upon the exercise of performance rights		
<b>(c) Capital Management</b>		
Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.		
The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. Other than its banking covenants, the Group is not subject to any externally imposed capital requirements.		
Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group.		

	Note	2022 \$'000	2021 \$'000
<b>19 Reserves</b>			
<b>Share based payment reserve</b>			
Opening balance		272	26
Recognition of share-based payments (performance rights)	22	298	346
Transfer from Share based payment reserve on exercise of retention rights		(210)	(100)
Performance rights forfeited		(58)	-
	19(a)	<u>302</u>	<u>272</u>
<b>Reorganisation reserve</b>	19(b)	<u>(222,856)</u>	<u>(222,856)</u>
<b>Acquisition reserve</b>			
Opening balance		270	655
Deferred share consideration for Cotters acquisition transferred to issued capital		(270)	(385)
	19(c)	<u>-</u>	<u>270</u>
<b>Foreign currency translation reserve</b>			
Opening balance		(82)	(103)
Exchange differences on translating foreign operations		(587)	21
	19(d)	<u>(669)</u>	<u>(82)</u>
<b>Total reserves</b>		<u>(223,223)</u>	<u>(222,356)</u>

**(a) Share Based Payment Reserve**

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

**(b) Reorganisation reserve**

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

**(d) Acquisition reserve**

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

**(e) Foreign Currency Translation Reserve**

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



	2022 \$'000	2021 \$'000
<b>20 Dividends</b>		
The following dividends were declared and paid:		
<b>Interim Dividend – fully franked ordinary</b>		
4.0 cents paid 31 March 2021	-	5,426
3.0 cents paid 6 April 2022	4,114	
<b>Final Dividend – fully franked ordinary</b>		
3.4 cents paid 1 October 2021	4,626	-

In respect of the year ended 30 June 2022, the directors resolved to pay a fully franked final dividend of 3.5 cents per share. The record date will be 6 September 2022. 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 2022.

**Franking account**

The franking credits available for subsequent financial years at a tax rate of 30%	<u>5,732</u>	<u>4,900</u>
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The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

**21 Earnings Per Share**

The calculation of Statutory EPS is presented below:

	2022 cents per share	2021 cents per share
Total basic earnings per share	5.32	7.71
Total diluted earnings per share	5.29	7.68

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

	2022 \$'000	2021 \$'000
Profit for the period attributable to Parent entity	<u>7,284</u>	<u>10,473</u>

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

Earnings used to calculate overall earnings per share	<u>7,284</u>	<u>10,473</u>
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**(c) Weighted Average Number of Shares Used as the Denominator in Calculation of Earnings Per Share**

	2022 No.	2021 No.
Opening	136,059,964	134,298,552
Cotter's shares deferred	334,784	669,568
EST shares issued	138,471	927,351
Performance rights issued	88,515	20,752
Sortify.tn acquisition	876,888	-
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>136,864,735</u>	<u>135,916,224</u>
Adjustments for calculation of diluted earnings per share:		
- Performance rights	<u>703,090</u>	<u>473,291</u>
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>137,567,825</u>	<u>136,389,515</u>

## 22 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:

- 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, and 50% (147,525 rights) are eligible to vest after announcement in February 2023 of QANTM's half-year results for the period ending 31 December 2022.
- 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.
- 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) are eligible to vest after announcement on 30 August 2022 of QANTM's full year results for FY22;
- 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) are eligible to vest after announcement on 30 August 2022 of QANTM's full year results for FY22 and 50% (47,700 rights) are eligible to vest after announcement in August 2023 of QANTM's full year results for FY23.

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.

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

### Movements during the year

	2022		2021	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
		\$		\$
<b>Performance rights outstanding as at 1 July</b>	598,554	-	295,050	-
Granted during the year	-	-	381,593	-
Performance rights vested	(174,372)	1.04823	(78,089)	1.04823
Performance rights forfeited	(152,638)	-	-	-
<b>Performance rights outstanding as at 30 June</b>	271,544	-	598,554	-
Performance rights exercisable as at 30 June	-	-	-	-

### Employee Share Trust (EST)

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

Under the EST, selected key employees, nominated by the Company will be provided with an opportunity to acquire a beneficial interest in fully paid QANTM shares (through the EST). Contributions are paid by QANTM to the EST, which 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 effect 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.



## 22 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.

### Movements during the year

	2022		2021	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
		\$		\$
<b>Performance rights outstanding as at 1 July</b>	397,600	-	-	-
Granted during the year ending 30 June 2021	-	-	397,600	-
Granted during the year ending 30 June 2022	760,963	-	-	-
Performance rights forfeited	(393,444)	-	-	-
<b>Performance rights outstanding as at 30 June</b>	765,119	-	397,600	-
Performance rights exercisable as at 30 June	-	-	-	-

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

	2022	2021
	\$'000	\$'000
	\$	\$
Share based payment expense recognised during the year	240	346

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

## 23 Financial Risk Management

### Objectives, Policies and Processes

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

### Liquidity Risk

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

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

**23 Financial Risk Management (continued)**

**Credit Risk**

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

**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 2021</b>		
Asset exposure	16,999	12,757
Liabilities exposure	(3,599)	(2,678)
<b>Net exposure</b>	<b>13,400</b>	<b>(10,079)</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>

*Sensitivity Analysis*

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

	Increase / (Decrease)	2022 EBITDA impact 000's	2022 NPAT impact 000's
Change in AUD/USD exchange rate	1 cents / (1 cents)	631	442

*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.



**23 Financial Risk Management (continued)**

**Market Risk (continued)**

*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:

	2022 Weighted average interest rate %	Balance \$'000	2021 Weighted average interest rate %	Balance \$'000
Bank loans	4.03	31,174	1.70	21,818
<b>Net exposure to cash flow interest rate risk</b>		<b>31,174</b>		<b>21,818</b>

	Effective Average Fixed Interest Rate Payable	Notional Principal		
	2022	2021	2022	2021
	%	%	\$'000	\$'000
<b>Maturity of notional amounts</b>				
<b>1 to 2 years</b>	4.03	1.70	31,174	21,818

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

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

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

		Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>30 June 2021</b>	<b>Note</b>				
<b>Liabilities</b>					
Forward exchange contracts	16	-	176	-	176
<b>Total liabilities</b>		<b>-</b>	<b>176</b>	<b>-</b>	<b>176</b>
<b>30 June 2022</b>					
<b>Liabilities</b>					
Forward exchange contracts	16	-	-	-	-
<b>Total liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

There were no transfers between levels during the financial year.

## 24 Fair Value Measurement

### Forward Exchange Contracts

#### Valuation Techniques and Key Inputs

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

## 25 Parent Entity

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

	2022 \$'000	2021 \$'000
<b>Statement of Financial Position</b>		
Current assets	747	1,204
Total Assets	98,948	110,781
Current liabilities	(6,310)	(816)
Total Liabilities	(35,126)	(22,680)
<b>Net assets</b>	<b>63,822</b>	<b>88,101</b>
<b>Equity</b>		
Issued capital	298,948	94,532
Reserves	225,270	1,099
Accumulated losses	(9,856)	(7,530)
Total Equity	63,822	88,101
<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
Total profit or loss for the year	6,452	11,078
Total comprehensive income	6,452	11,078

### Guarantees

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

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

### Contingent Liabilities

At 30 June 2022 and 30 June 2021, bank guarantees in respect of property leases were maintained.

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

### Contractual Commitments

The parent entity does not have any material contractual commitments as at 30 June 2022 or 30 June 2021.



## 26 Interests in Subsidiaries

### Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%) <sup>1</sup> 2022	Percentage Owned (%) <sup>1</sup> 2021
<b>Subsidiaries:</b>			
Advanz Fidelis IP Sdn Bhd	Malaysia	100	100
Davies Collison Cave Pty Ltd <sup>2</sup>	Australia	100	100
Davies Collison Cave Law Pty Ltd <sup>2</sup>	Australia	100	100
Davies Collison Cave Asia Pte Ltd	Singapore	100	100
Davies Collison Cave NZ Ltd	New Zealand	100	100
DCC Hong Kong Ltd	Hong Kong	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>2, 3</sup>	Australia	100	100
Sortify.tm Pty Ltd	New Zealand	100	-
Trademark Planet Ltd	New Zealand	100	-

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

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

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

## 27 Deed of Cross-Guarantee

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

	2022 \$'000	2021 \$'000
<b>Statement of Comprehensive Income</b>		
Service charges	88,811	86,851
Associate charges	28,950	24,631
<b>Total revenue</b>	<b>117,761</b>	<b>111,482</b>
Other income	2,608	1,661
Employee benefits expense	(56,031)	(53,938)
Recoverable expenses	(27,080)	(23,282)
Occupancy expenses	(1,525)	(1,377)
Technology expense	(7,887)	(5,526)
Business Acquisition costs	(1,100)	(379)
Other expenses	(7,141)	(6,122)
<b>Earnings before depreciation and amortisation, finance costs and income tax</b>	<b>19,605</b>	<b>22,519</b>
Depreciation and amortisation	(8,013)	(7,057)
<b>Earnings before finance costs and income tax</b>	<b>11,592</b>	<b>15,462</b>
Finance costs	(2,345)	(1,610)
<b>Profit before income tax</b>	<b>9,247</b>	<b>13,852</b>
Income tax expense	(3,199)	(4,384)
<b>Net profit for the year</b>	<b>6,048</b>	<b>9,468</b>
<b>Total comprehensive income for the year</b>	<b>6,048</b>	<b>9,468</b>

**27 Deed of Cross-Guarantee**

	2022 \$'000	2021 \$'000
<b>Statement of Financial Position</b>		
<b>Current Assets</b>		
Cash and cash equivalents	4,809	4,247
Trade and other receivables	35,729	34,251
Other financial assets	-	471
Other assets	3,746	4,012
Current tax asset	557	-
<b>Total Current Assets</b>	<b>44,841</b>	<b>42,981</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	1,496	2,071
Right-of-use asset	8,433	12,938
Intangible assets	84,266	74,617
<b>Total Non-Current Assets</b>	<b>94,195</b>	<b>89,626</b>
<b>Total Assets</b>	<b>139,036</b>	<b>132,607</b>
<b>Current Liabilities</b>		
Trade and other payables	12,982	12,394
Provisions	7,939	8,028
Borrowings	3,621	1,995
Lease liability	3,617	4,482
Other financial liabilities	1,500	751
<b>Total Current Liabilities</b>	<b>29,659</b>	<b>27,650</b>
<b>Non-Current Liabilities</b>		
Provisions	226	12
Borrowings	27,553	19,868
Lease liability	7,075	10,539
Other financial liability	1,228	-
Deferred tax liabilities	3,587	3,174
<b>Total Non-Current Liabilities</b>	<b>39,669</b>	<b>33,593</b>
<b>Total Liabilities</b>	<b>69,328</b>	<b>61,243</b>
<b>Net Assets</b>	<b>69,708</b>	<b>71,364</b>
<b>Equity</b>		
Issued Capital	297,614	297,260
Reserves	(224,052)	(222,991)
Retained Earnings	(3,854)	(2,905)
<b>Total Equity</b>	<b>69,708</b>	<b>71,364</b>



**28 Business Combination**

**Acquisition of Sortify.tm**

On the 30th of September 2021, the Company acquired all the shares in Sortify.tm Limited for a total purchase consideration of \$11 million subject to the business achieving certain contingent considerations hurdles. The contingent consideration of up to \$3 million is payable in 2 annual instalments, each of up to \$0.5 million cash and up to \$1 million by way of an issue of QANTM shares, subject to the business achieving contingent consideration hurdles.

The acquisition significantly increases the number of trademark applications being filed by QANTM companies in Australia and New Zealand.

At completion, cash consideration of \$6.7 million was paid together with the issue of shares to the vendors valued at \$1 million. Contingent consideration of up to \$3 million is expected to be payable based on the performance of Sortify.tm over the 2 years following completion. The \$3 million of contingent consideration has been discounted to its fair value of \$2.6 million.

The purchase price accounting involves judgment and complexity in the purchase price allocation, including determining the fair values of the acquired assets and liabilities. The fair value of the below numbers are subject to measurement period 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.

Details of the business combination are set out below:

	Note	\$'000
Cash consideration		6,657
Shares		1,000
Contingent consideration		2,585
<b>Total consideration</b>		<b>10,242</b>
<b>Recognised amounts of identifiable net assets:</b>		
<b>Assets</b>		
Cash & cash equivalents		98
Trade and other receivables		72
Other assets		5
Property, plant and equipment		6
Intangible assets (brand names and software)	11	6,065
<b>Total Assets</b>		<b>6,246</b>
<b>Liabilities</b>		
Trade and other payables		182
Borrowings		428
Provisions		54
Deferred tax liability (acquisition related)		1,698
<b>Total Liabilities</b>		<b>2,361</b>
<b>Total identifiable net assets at fair value</b>		<b>3,885</b>
<b>Goodwill</b>	11	<b>6,357</b>

The fair value of the acquired trade and other receivables is \$72,000, which is expected to be fully recoverable.

**29 Related Parties**

**Parent entity**

QANTM Intellectual Property Limited.

**Subsidiaries**

Interests in subsidiaries are set out in Note 26.

**Key management personnel**

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

**30 Key Management Personnel Disclosures**

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

	2022 \$'000	2021 \$'000
Short-term employee benefits	1,721	2,100
Post-employment benefits	62	43
Other long-term benefits	16	17
<b>Total KMP compensation</b>	<b>1,799</b>	<b>2,160</b>

**31 Contingent Liabilities**

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

Bank guarantees in respect of property leases	2,309	3,846
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**32 Cash Flow Information**

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

	2022 \$'000	2021 \$'000
Reconciliation of net income to net cash provided by operating activities:		
Profit for the year after income tax	7,142	10,385
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- Depreciation and amortisation	8,202	7,295
- Share based payments	298	246
- Bad debt expense	377	303
- Interest expense on lease liabilities	708	677
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- increase in trade and other receivables	(2,318)	(3,208)
- decrease / (increase) in other assets	146	(203)
- increase in trade and other payables	616	3,831
- increase in provisions	74	1,380
- (increase) / decrease in income tax payable	82	(1,248)
- increase in deferred tax balances	699	368
Cash flow from operations	<b>16,026</b>	<b>19,826</b>

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

	1 July 2021 \$'000	Cash flows \$'000	Fair value changes \$'000	Acquisition \$'000	Other \$'000	30 June 2022 \$'000
Bank loans	21,818	8,150	-	-	1,206	31,174
Lease liabilities	15,302	(5,036)	-	-	708	10,974
Total liabilities from financing activities	<b>37,120</b>	<b>3,114</b>	<b>-</b>	<b>-</b>	<b>1,914</b>	<b>42,148</b>



33 Auditors' Remuneration

Deloitte and related network firms

Audit or review of financial reports:

- Group	242,500	192,400
Other assurance services	20,000	-
	<u>262,500</u>	<u>192,400</u>

Other auditors and their related network firms

Audit or review of financial reports:

- Subsidiaries	71,545	89,104
- Accounting services	-	15,509
	<u>71,545</u>	<u>104,613</u>

34 Events Occurring After the Reporting Date

There were no significant events post 30 June 2022 that have impacted the Group.

35 Company Details

The registered office of the Company is:

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

The directors of the Company declare that:

- the financial statements and notes for the year ended 30 June 2022 are in accordance with the *Corporations Act 2001* and:
  - 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
  - give a true and fair view of the financial position and performance of the consolidated group;
- the Chief Executive Officer and Chief Financial Officer have given the declarations required by Section 295A that:
  - the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - the financial statements and notes for the financial year comply with the Accounting Standards; and
  - the financial statements and notes for the financial year give a true and fair view.
- 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;
  - The Company and the companies to which the ASIC Corporations Instrument applies, as detailed in note 27 to the financial statements, will as a group, be able to meet any obligations or liabilities to which they are, or may, become, subject by virtue of the deed of cross guarantee.

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

Chairman:   
Sonia Petering

Dated this 30th day of August 2022



Deloitte Touche Tohmatsu  
ABN 74 490 121 060  
477 Collins Street  
Melbourne, VIC, 3000  
Australia

Phone: +61 3 9671 7000  
www.deloitte.com.au

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of QANTM Intellectual Property Limited (the “Company” ) and its subsidiaries (the “Group”) which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

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

- Giving a true and fair view of the Group’s financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Carrying value of goodwill and intangible assets – impairment assessment.</p> <p>Refer to note 11(c).</p> <p>As at 30 June 2022 the Group’s carrying value of goodwill totals \$54.8 million, of which \$6.4 million relates to the Sortify cash generating unit (“CGU”).</p> <p>Significant judgement is exercised in determining the assumptions and estimates involved in preparing the Sortify Fair Value Less Costs to Dispose (“FVLCD”) valuation model including:</p> <ul style="list-style-type: none"><li>• Forecasts of revenue and Earnings before Interest and Tax (“EBIT”) for the years 2023 to 2027;</li><li>• Long-term growth rate applied within the FVLCD valuation model; and</li><li>• Weighted Average Cost of Capital (“WACC”) rate utilised within the FVLCD valuation model.</li></ul> <p>Management has applied judgement to determine their best estimate for assumptions within the FVLCD valuation model, including internal and external data as inputs, and factored into their assumptions the expected increase for the new business and its result on the cash flows of the Sortify CGU.</p> <p>The FVLCD valuation model is sensitive to changes in assumptions and estimates used within the model.</p>	<p>In conjunction with our valuation specialists, our procedures included, but were not limited to:</p> <ul style="list-style-type: none"><li>• Obtaining an understanding of the control implemented to address the risk relevant to the accuracy of key assumptions within the FVLCD valuation model</li><li>• Assessing the objectivity and competence of management’s valuation specialist</li><li>• Evaluating management’s methodology used to assess the Sortify CGU for impairment</li><li>• Challenging key assumptions of the discount rates and long term growth rates by comparing these to market data and industry research</li><li>• Challenging key assumptions of forecast growth rates by comparing these to historical business trends</li><li>• Assessing the consistency of the cash flows used with the forecasts performed as part of the acquisition process, the latest Board approved budget for Sortify and assessing the historical accuracy of forecasting by Sortify management</li><li>• Testing on a sample basis, the mathematical accuracy of the cash flow model</li><li>• Assessing management’s assumptions by performing sensitivity analyses on the impairment model using varied discount rates, short-term growth projections as well as long-term growth forecasts to simulate alternative market conditions</li><li>• Assessing the appropriateness of the disclosure presented within the financial statements in relation to the sensitivity of the FVLCD valuation model to changes within the key assumptions.</li></ul>

Other Information

The directors are responsible for the other information. The other information comprises the Directors’ Report, ASX announcement and Additional Information for Listed Public Companies, which we obtained prior to the date of this auditor’s report, and also includes the following information which will be included in the Group’s annual report (but does not include the financial report and our auditor’s report thereon): the QANTM Group, 2022 Year in Review, Business and Financial Highlights, Chair and CEO Report, 2022 Key Business Overview, People and Culture, Board of Directors, Group Executive Team, and Five-Year Financial Summary, which is expected to be made available to us after that date.

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



In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the QANTM Group, 2022 Year in Review, Business and Financial Highlights, Chair and CEO Report, 2022 Key Business Overview, People and Culture, Board of Directors, Group Executive Team, and Five-Year Financial Summary, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

*Responsibilities of the Directors for the Financial Report*

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

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

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

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

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 44 to 50 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of QANTM Intellectual Property Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DELOITTE TOUCHE TOHMATSU

Belinda Abbott  
Partner  
Chartered Accountants  
Melbourne, 30 August 2022



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 12 August 2022.

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	126	116,726,278	84.89
10,001 to 100,000	526	17,133,698	12.46
5,001 to 10,000	251	2,110,287	1.53
1,001 to 5,000	422	1,308,418	0.95
1 to 1,000	443	219,941	0.16
<b>Total</b>	<b>1,768</b>	<b>137,498,622</b>	<b>100.00</b>

## Less than marketable parcels of ordinary shares

There are 64 shareholders with unmarketable parcels totalling 7,538 shares.

## 20 Largest Shareholders

The twenty largest shareholders of quoted equity securities as at 12 August 2022 are as follows:

		Number of fully paid Ordinary Shares	% of issued Capital
1	Citicorp Nominees Pty Ltd	9,397,250	6.83
2	Equity TS Pty Ltd	6,578,879	4.78
3	JP Morgan Nominees Australia Pty Limited	5,790,074	4.21
4	Argo Investments Limited	5,350,053	3.89
5	First City Nominees Pty Ltd <NO 2 A/C/>	5,221,380	3.80
6	HSBC Custody Nominees (Australia) Limited	3,014,780	2.19
7	John Dower	2,888,884	2.10
8	Mr Leon Keith Allen + Mrs Kerry Ann Allen <Kerralee Super Fund A/C>	2,037,227	1.48
9	Curpsi Pty Ltd	2,037,226	1.48
9	Fordham Pty Ltd	2,037,226	1.48
9	Gnarwarre Investments Pty Ltd	2,037,226	1.48
9	Loughnan Hill Pty Ltd	2,037,226	1.48
9	Macrophage Pty Ltd	2,037,226	1.48
9	Oakvale Pty Ltd	2,037,226	1.48
9	Petrob Holdings Pty Ltd	2,037,226	1.48
9	Rezinlow Holdings Pty Ltd	2,037,226	1.48
9	Rocky Road Pty Ltd	2,037,226	1.48
9	Sybarite Pty Ltd	2,037,226	1.48
9	Tsar Investments Pty Ltd	2,037,226	1.48
9	Woodcastle Pty Ltd	2,037,226	1.48
	Totals	<b>64,725,239</b>	<b>47.07%</b>
	Total Remaining Holders Balance	72,773,383	52.93%
	<b>Total Quoted Equity Securities</b>	<b>137,498,622</b>	<b>100%</b>

## Unquoted Equity Securities

During FY22 the Group issued 760,963 performance rights to 3 group executives. Details of timing and conditions for vesting are detailed in note 22. During FY22, 546,082 performance rights previously issued to 3 group executives lapsed with cessation of employment.



## Substantial Shareholders

As at 12 August 2022, 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
Investors Mutual Limited	6,902,311	5.02%

## Restricted Securities

The Company had the following restricted securities on issue as at 12 August 2022:

Class	Type of Restriction	Number of Securities	% of issued capital	End Date of Escrow Period
Ordinary Shares	Voluntary Escrow	876,888	0.637%	1 Oct 22
Ordinary Shares	Voluntary Escrow	52,614	0.0382%	4 Oct 22
<b>Total Escrowed Shares</b>		<b>929,502</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.

# FIVE-YEAR FINANCIAL SUMMARY<sup>1</sup>

	FY22	FY21	FY20	FY19	FY18
<b>Summary Financials (\$m)</b>					
Service charges revenue	96.6	92.4	90.3	86.5	76.5
Associate charges revenue <sup>2</sup>	30.7	26.7	26.3	25.7	25.2
Total Revenue	127.3	119.1	116.6	112.2	101.7
<b>Total Net Revenue (other income, less recoverable expenses)</b>	<b>101.2</b>	<b>95.6</b>	<b>94.0</b>	<b>90.3</b>	<b>80.4</b>
Operating expenses	74.9	69.5	66.1	67.1	61.1
EBITDA pre FX	25.4	27.2	27.9	23.2	19.3
EBITDA after FX	26.3	26.1	27.1	24.0	20.1
Depreciation and amortisation	5.8	6.0	6.8	2.2	2.1
Group EBIT	20.5	20.1	20.3	21.8	18.0
Net interest costs and bank charges	2.4	1.6	1.5	1.0	0.8
Profit before tax	18.1	18.5	18.8	20.8	17.2
Tax expense	5.3	5.0	5.3	6.0	5.3
Net Profit after Tax	12.8	13.5	13.5	14.8	11.9
Operating Cash Flow	16.0	19.8	15.1	14.6	11.3
Net debt	23.8	16.2	17.4	11.1	8.3
<b>Capital and Dividends</b>					
Ordinary shares on issue	137,498,622	136,059,964	134,298,552	133,050,724	132,904,331
Dividends per share for year (cents)	6.5	7.4	7.1	8.3	7.1
Franking level (per cent)	100	100	100	100	100
Opening share price (\$)	1.15	1.18	1.42	1.05	1.27
Closing share price (\$)	0.95	1.15	1.18	1.42	1.05
<b>Financial Ratios</b>					
EBITDA/Total revenue (per cent)	20.7	21.9	23.2	21.4	19.8
EBITDA/Service charges revenue (per cent)	27.2	28.2	30.0	27.7	26.3
Interest cover (EBITDA/net interest expense) times	11.0	16.3	18.0	26.7	25.1
Basic earnings per share (cents)	5.32	7.71	7.18	8.42	7.15
Return on equity – statutory (per cent)	9.9	14.2	13.2	15.9	13.6
Return on equity – underlying (per cent)	17.8	18.5	18.9	21.0	17.1
Gearing (net debt/net debt + equity) (per cent)	24.8	18.1	19.6	13.6	10.6
<b>Financial Position as at 30 June (\$m)</b>					
Total assets	142.7	135.0	135.4	107.0	104.8
Total liabilities	70.8	62.2	64.3	36.4	35.1
Net assets / shareholders' equity	71.9	72.8	71.2	70.6	69.7

1. The above reflects underlying results to facilitate comparisons period to period. A reconciliation of statutory to underlying results for FY22 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  
(appointed 7 October 2022)

## 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.

## NOTICE OF ANNUAL GENERAL MEETING

QANTM's Annual General Meeting of Shareholders will be held on Wednesday 30 November, 2022 at 10:00am Australian Eastern Daylight Time and will be held as a fully "virtual" online meeting using technology to facilitate shareholder participation, with a simultaneous video webcast. Further information is available on the Company's website at <http://qantmip.com/investor-centre-3/2022-agm>

## CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement, as at 24 October 2022, has been approved by the Board and is available for review on the Company's website ([www.qantmip.com](http://www.qantmip.com))

## AUDITOR

Deloitte

477 Collins Street

Melbourne VIC 3000

## SOLICITOR

MinterEllison

Level 23, Rialto Towers

525 Collins Street

Melbourne VIC 3000

## WEBSITE

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



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