APPENDIX 4D
Half year Financial Report
Half Year ended 31 December 2016

Name of Entity: QANTM Intellectual Property Limited ACN 612 441 326	

Current period:	**Half year ended 31 December 2016**
Previous corresponding period:	Half year ended 31 December 2015

	31 Dec 2016	31 Dec 2015	Change
	$'000	$'000	%
Revenues from ordinary activities	47,848	37,961	26%
(Loss)/profit from ordinary activities after tax	(114)	11,930	(101%)
Net (loss)/profit for the period	(114)	11,930	(101%)
Pro forma profit from ordinary activities (1)	7,079	6,984	1.4%
Distributions – current period (cents): 1H17 interim dividend (declared) (2)	3.6		
Distributions – previous period (cents) (2):		nil	
Record date for determining entitlement to the interim dividend	5pm, 1 March, 2017		
	31 Dec 2016	**30 Jun 2016**	**Change**
Net tangible asset value per share(3)	$0.01	($0.18)	104%

(1) Please refer to the Directors' Report for a reconciliation of statutory to pro forma profit.

(2) The variances that would otherwise be shown are not meaningful because the previous corresponding period amount is nil.

(3) Calculated using the weighted average number of ordinary shares outstanding during the period ended 31 December 2016, assuming the restructure of the Group and IPO occurred on or prior to 1 July 2015.

Results for announcement to the market

This information should be read in conjunction with the Consolidated Financial Report of QANTM Intellectual Property Limited for the half year ended 31 December 2016, and any public announcements made in the period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

Details of entities over which control has been gained or lost during the period:

Control gained:	Davies Collison Cave Pty Ltd	ACN 613 954 368
	Davies Collison Cave Law Pty Ltd	ACN 613 954 420
	FPA Patent Attorneys Pty Ltd	ACN 613 950 342
	QIP Services Pty Ltd	ACN 613 281 182
	Davies Collison Cave Asia Pte. Ltd	(incorporated in Singapore)
Control lost:	None	

Details of any associates and joint venture entities required to be disclosed:

Nil

Audit status

This report is based on the Consolidated Financial Report of QANTM Intellectual Property Limited for the half year ended 31 December 2016, which has been reviewed by Deloitte Touche Tohmatsu.

Other significant information and commentary on results

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2016 Half Year Financial Report.

For all other information required by Appendix 4D, including a results commentary, please refer to the following documents:

- Directors' Report
- Reviewed Half Year Financial Report
- Results presentation

QANTM INTELLECTUAL PROPERTY LIMITED

CONSOLIDATED FINANCIAL REPORT

ACN: 612 441 326

For the half-year ended 31 December 2016

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QANTM INTELLECTUAL PROPERTY LIMITED

DIRECTORS' REPORT

The directors of QANTM Intellectual Property Limited ('the Company' or 'QANTM') present the half-year financial report of the Company and its controlled entities ('the Group' or 'QANTM Group') for the half-year ended 31 December 2016. To comply with the provisions of the *Corporations Act 2001*, the directors' report is as follows:

DIRECTORS

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

Name	Office
Mr Richard England	Non-executive Chairman (appointed 17 May 2016)
Mr Leon Allen	Managing Director(appointed 17 May 2016)
Ms Abigail Cheadle	Non-executive Director (appointed 9 June 2016)
Mr Cameron Judson	Non-executive Director (appointed 9 June 2016)
Ms Sonia Petering	Non-executive Director (appointed 9 June 2016)

INCORPORATION

QANTM Intellectual Property Limited was incorporated on 17 May 2016 as a holding company. The company was admitted to the official list of the Australian Securities Exchange ('ASX') on 31 August 2016.

PRINCIPAL ACTIVITIES

QANTM comprises the businesses of Davies Collison Cave ('DCC') and Freehills Patent Attorneys ('FPA'), two of Australia's leading professional intellectual property ("IP") services firms.

DCC is one of the largest patent and trade mark attorney firms in Australia, with a history that can be traced back to 1879. DCC offers a wide range of services in relation to the creation, protection, commercialisation, enforcement and management of its clients' IP. DCC's three major service areas are patents, trade marks and legal services. In Australia the firm operates from three primary offices in Sydney, Melbourne and Brisbane and has a presence and ongoing access to offices in Newcastle, Geelong, Greater Western Sydney, Hobart, Launceston, Adelaide and Canberra.

FPA is a specialist patent attorney practice with offices in Sydney and Melbourne which began practicing as a separate business unit within Freehill Hollingdale & Page in 1991.

Both firms' principal operations are in Australia where each firm services both local clients and international clients in respect of their Australian IP rights. Asia has also been a strategic focus of both Firms in recent times given the region is becoming increasingly important to multinationals as economies continue to grow and industrialise with corresponding growth in research and development ("R&D") investment from Asian companies and institutions. To take advantage of this environment, DCC opened an office in Singapore in July 2015 which is currently staffed by 8 IP professionals and 2 support staff. DCC's presence in Singapore provides it with the ability to act directly for its local clients and international clients in Singapore and to coordinate their IP strategies across other Asian jurisdictions. Increasingly, the firms' multinational clients are seeking a 'one-stop shop' to coordinate their Asian IP procurement and portfolio management.

STATE OF AFFAIRS

On 22 August 2016, the shareholders of the Company undertook a corporate reorganisation:

- the Davies Collison Cave Patent and Trade Mark Attorneys partners (DCC Partners) transferred their interest in the assets of the partnership carried on by Davies Collison Cave Patent and Trade Mark Attorneys to Davies Collison Cave Pty Ltd, a newly incorporated entity, and received shares in Davies Collison Cave Pty Ltd as consideration;
- the partners in DCC's law and litigation practice, which operated as a separate legal partnership (with the same beneficial ownership as the Davies Collison Cave Patent and Trade Mark Attorneys partnership) transferred the assets of DCC's law and litigation business to Davies Collison Cave Law Pty Ltd, a newly incorporated entity, and received shares in Davies Collison Cave Law Pty Ltd as consideration;
- the shareholders in Davies Collison Cave Pty Ltd and Davies Collison Cave Law Pty Ltd transferred all their shares in the respective entities to the Company in exchange for shares in the Company;
- the business assets and liabilities of DCC's Singaporean practice which were owned by DCC LLP were acquired by Davies Collison Cave Asia Pte. Ltd., a newly incorporated wholly owned Singaporean subsidiary of the Company;
- the FPA partners transferred their interest in the assets of the business carried on by FPA to FPA Patent Attorneys Pty Ltd, a newly incorporated entity, and received shares in FPA Patent Attorneys Pty Ltd as consideration;
- the shareholders in FPA Patent Attorneys Pty Ltd transferred all their FPA Patent Attorneys Pty Ltd shares to the Company in exchange for shares in the Company;
- FPA Services, a service trust which was part of FPA's existing business, transferred all its assets and liabilities to QIP Services Pty Ltd, a newly incorporated wholly owned subsidiary of the Company established to perform an administrative, IT, treasury and services function within the Group.
- In addition, QIP Services Pty Ltd assumed certain assets and liabilities of DCC and FPA, and leases for premises presently occupied by DCC and FPA were assigned to QIP Services Pty Ltd.

The acquisitions of DCC Pty Ltd and DCC Law Pty Ltd occurred whilst QANTM Intellectual Property Limited, DCC Pty Ltd and DCC Law Pty Ltd were under common control of the shareholders of QANTM Intellectual Property Limited.

For consolidation purposes, the transactions have been accounted for as a group reorganisation of entities under common control at predecessor carrying value. Consequently, the assets and liabilities have not been remeasured at fair value, nor has any goodwill arisen. The difference between the fair value of consideration given and the carrying values of the assets and liabilities acquired by QANTM Intellectual Property Limited has been recognised within equity as part of the "Group Reorganisation Reserve".

The financial report presents the financial results of QANTM Intellectual Property Limited and its controlled entities using the predecessor accounting method meaning the financial report has been presented as if the combinations with DCC Pty Ltd and DCC Law Pty Ltd had occurred prior to 1 July 2015, the beginning of the earliest period presented in the financial report.

The acquisitions of FPA Patent Attorneys Pty Ltd and Davies Collison Cave Asia Pte. Ltd have been accounted for as business combinations in accordance with the acquisition method under AASB 3, which requires that the identifiable assets and liabilities acquired (including intangible assets) are measured at their respective fair values. The Company has performed a provisional assessment at the acquisition date of the fair values of the identifiable assets and liabilities acquired.

There were no other significant changes in the state of affairs of the Group during the financial half year.

QANTM INTELLECTUAL PROPERTY LIMITED

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Operational highlights in the half year ended 31 December 2016 included:

- Successful corporate restructure and IPO in August 2016
  - STI and LTI programs have been finalised and successfully rolled out to key staff
  - 100% retention of senior staff since IPO
  - 100% retention of key clients
  - no commercial concerns expressed by clients as a result of DCC and FPA being jointly owned by QANTM
  - new governance arrangements, policies and processes have been, and continue to be, established
- Business synergies
  - migration of FPA's data, systems and processes to a common ICT platform has occurred ahead of plan and was completed in Q2 of FY17. Savings have commenced with first impact in the second half
  - back office rationalisation has commenced with benefits flowing from the second half
- H1 FY17 application filings showing overall growth from H1 FY16 (noting that caution should be taken in assessing filing trends given the limited timeframe)
  - particular strength in applications filed in offshore jurisdictions
  - slight weakening in Australian filings (consistent with the market) but up on H2 FY16
  - supports future 'IP lifecycle' earnings
- Australian market positions have remained relatively consistent in patents and trade marks and QANTM is well positioned for further growth

RESULTS

The reconciliation table below reconciles statutory net profit after tax ('Statutory NPAT') for the half year to pro forma NPAT.

	Half-year ended	
	31-Dec-16 $'000	**31-Dec-15 $'000**
Statutory NPAT – (loss) / profit	(114)	11,930
add: DCC LLP pre-acquisition NPAT	(68)	190
add: FPA pre-acquisition NPAT	(2,242)	4,198
NPAT – QANTM Group – (loss) / profit	(2,424)	16,318
add: interest	488	498
add: depreciation & amortisation	733	485
add: tax	(178)	-
EBITDA – QANTM Group – (loss) / profit	**(1,381)**	**17,301**
add: IPO expenses	6,574	-
add: share based payments	958	-
add: retention bonuses	4,553	-
add: reorganisation expenses	664	-
add: initial recognition Principal LSL	1,684	-
add: partnership expenditure	157	450
less: notional remuneration adjustment	(1,445)	(5,076)
less: notional public company costs	-	(1,183)
Pro forma EBITDA – QANTM Group – profit / (loss)	**11,764**	**11,493**
less: pro forma depreciation & amortisation	(878)	(919)
less: pro forma interest	(488)	(411)
less: pro forma tax	(3,319)	(3,179)
Pro forma NPAT - QANTM Group – profit / (loss)	**7,079**	**6,984**

DIRECTORS' REPORT

QANTM Group - eliminates the effect of the internal restructure of the Group, which took place in the six months ended 31 December 2016, and presents the results based on how the Group has been constituted since the restructuring.

FPA / DCC LLP pre-acquisition NPAT - represents the net profit after tax for FPA and DCC LLP for the period 1 July 2016 to the date of acquisition (22 August 2016).

QANTM Group EBITDA - represents earnings before income tax expense, net finance costs, depreciation and amortisation for the six months ended 31 December 2016..

The adjustments between the QANTM Group EBITDA and QANTM Group Pro forma EBITDA arise from

a) adding back the expenses of the IPO
b) adding back the cost of the issue of shares to directors and employees at IPO;
c) adding back one off retention bonuses paid to key staff at IPO;
d) adding back reorganisation expenses, which comprise one off costs incurred by the businesses in transitioning from a partnership structure to a corporate structure
e) adding back the recognition of the principals' long service leave balances arising following the restructuring, with partner leave balances not previously being recognised;
f) adding back partnership expenditure, comprising expenses considered to be of a personal nature to the partners, incurred by the businesses whilst operating as partnerships, which will not be incurred by QANTM Group
g) deducting a notional amount calculated to adjust for the effect of the increase in the former principals' remuneration following the restructuring, for the periods before the restructuring; and
h) deducting a notional amount calculated to adjust for the effect of the change to a public listed company following the restructuring, for the periods before the restructuring.

The difference between the Pro-forma EBITDA- QANTM Group and Pro-forma NPAT – QANTM Group arises because of:

i) depreciation and amortisation expense adjustment which represents pro-forma depreciation and amortisation expense assuming the business structure had been in place for the 6 month period;
j) interest expense adjustment which represents pro-forma interest expense assuming the post-IPO debt profile had been in place for the 6 month period; and
k) the tax effect of the adjustments between Statutory EBITDA and Pro forma EBITDA.

Further detail of the accounting methodology adopted for the restructure is provided in "State of Affairs" above, and in Note 1(b) "Corporate Reorganisation".

EARNINGS PER SHARE

The Directors have elected to present Earnings per Share ('EPS') on both a statutory and pro forma basis. The Directors believe that presenting pro forma EPS provides a better understanding of the group's underlying financial performance on a basis consistent with ongoing operations post restructure.

Statutory EPS has been calculated in accordance with the requirements of Accounting Standards based on:

- Net profit after tax attributable to shareholders ('Statutory NPAT'); and
- The weighted average number of ordinary shares outstanding during the period ended 31 December 2016, which have been applied retrospectively in calculating EPS for the comparative period.

Pro forma EPS is a non-IFRS measure which has been calculated based on:

- "Pro forma NPAT", as calculated in the reconciliation table in "Results", above, representing net profit after tax adjusted on a pro forma basis to eliminate the effects of the IPO and restructuring of the Group and reflect the businesses within the Group for the full half year period; and
- The weighted average number of ordinary shares outstanding during the period ended 31 December 2016, assuming the restructure of the Group and IPO occurred on or prior to 1 July 2015:
    - Basic: 132,900,282 (31 Dec 2015: 132,900,282)
    - Diluted: 133,062,443 (31 Dec 2015: 133,062,443)

	31-Dec-16 cents per share	31-Dec-15 cents per share
Statutory EPS		
Total basic earnings per share	(0.09)	8.98
Total diluted earnings per share	(0.09)	8.97
Pro forma EPS		
Total basic earnings per share	5.33	5.26
Total diluted earnings per share	5.32	5.25

(a) Reconciliation of earnings used in calculating earnings per share	**31-Dec-16**	**31-Dec-15**
	$'000	**$'000**
The EPS reported above has been calculated using the following earnings:		
Statutory NPAT	(114)	11,930
Pro forma NPAT	7,079	6,984

DIVIDENDS

In respect of the half-year ended 31 December 2016, the directors resolved to pay a franked interim dividend of 3.6 cents per share. The record date will be 1 March 2017. As such the dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $4.7 million. No dividend was paid in respect of the half year ended 31 December 2015.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under 307C of the Corporations Act 2001is included on page 10 of the half-year financial report.

ROUNDING OFF OF AMOUNTS

QANTM Intellectual Property Limited is a company of the kind referred to in *ASIC Corporations (Rounding in the Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the accompanying half-year financial report have been rounded to the nearest thousand dollars, except where otherwise indicated.

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

On behalf of the Board of Directors,

Richard England
Chairman

Melbourne
23 February 2017

Deloitte Touche Tohmatsu
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The Board of Directors
QANTM Intellectual Property Limited
1 Nicholson Street,
Melbourne, VIC 3002

23 February 2017

Dear Directors,

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 review of the half-year financial report of QANTM Intellectual Property Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
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Independent Auditor's Review Report
to the members of QANTM Intellectual Property Limited

We have reviewed the accompanying half-year financial report of QANTM Intellectual Property Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 13 to 37.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of QANTM Intellectual Property Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of QANTM Intellectual Property Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants
Melbourne, 23 February 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	Half-year ended 31-Dec-16 $'000	31-Dec-15 $'000
Service charges		37,253	28,822
Associate charges		10,595	9,139
Total Revenue		**47,848**	**37,961**
Other Income		1,528	1,949
Employee benefits expenses	16	(23,190)	(11,951)
Recoverable expenses		(9,624)	(8,179)
Occupancy		(3,013)	(1,940)
Other	16	(12,648)	(5,012)
Earnings before finance costs, income tax, depreciation and amortisation		901	12,828
Depreciation and amortisation		(713)	(446)
Profit before finance costs and income tax		188	12,382
Net finance costs		(480)	(452)
(Loss)/Profit before income tax		(292)	11,930
Income tax (expense) / benefit	5	178	-
NET (LOSS) / PROFIT FOR THE PERIOD		(114)	11,930
Other comprehensive income for the period, net of tax		-	-
Total comprehensive (loss)/income for the period		(114)	11,930

Earnings per share		**cents per share**	**cents per share**
Basic (cents per share)	6	(0.09)	8.98
Diluted (cents per share)	6	(0.09)	8.97

The accompanying notes on page numbers 17 to 36 form part of this half-year financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	31-Dec-16 $'000	30-Jun-16 $'000
CURRENT ASSETS			
Cash and cash equivalents		3,637	520
Trade and other receivables		29,485	22,893
Other		2,144	2,037
TOTAL CURRENT ASSETS		35,266	25,451
NON-CURRENT ASSETS			
Property, plant and equipment		2,713	2,377
Intangibles	9	67,314	-
TOTAL NON-CURRENT ASSETS		70,027	2,377
TOTAL ASSETS		105,293	27,827
CURRENT LIABILITIES			
Trade and other payables		8,019	8,267
Current tax liabilities	5	2,310	-
Borrowings	10	799	35,555
Provisions		6,036	3,289
Other		315	-
TOTAL CURRENT LIABILITIES		17,479	47,111
NON-CURRENT LIABILITIES			
Borrowings	10	15,196	1,193
Provisions		2,856	2,564
Deferred tax balances	5	1,468	-
Other		-	566
TOTAL NON-CURRENT LIABILITIES		19,520	4,323
TOTAL LIABILITIES		36,999	51,434
NET ASSETS		68,294	(23,607)
EQUITY			
Issued capital	7	293,798	-
Reserves	8	(222,733)	-
Retained earnings		(2,771)	(23,607)
TOTAL EQUITY		68,294	(23,607)

The accompanying notes on page numbers 17 to 36 form part of this half-year financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Half-year ended	
	31-Dec-16 $'000	31-Dec-15 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	52,774	40,297
Payment to suppliers and employees	(43,860)	(29,510)
Interest and costs of finance paid	(480)	(452)
Income tax paid	-	-
Net cash provided by operating activities	8,434	10,335
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(383)	(451)
Loans to related parties (DCC LLP) prior to acquisition	(507)	(600)
Cash acquired (Note 11)	2,327	-
Net cash provided by/ (used in) investing activities	1,437	(1,051)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	15,002	1,959
Repayment of bank borrowings	(15,876)	(347)
Proceeds from issue of new shares	30,827	-
Transaction costs relating to issue of new shares	(9,864)	-
Repayment of previous owner loans	(25,819)	-
Distributions to previous owners	(1,039)	(11,154)
Net cash provided by finance activities	(6,769)	(9,542)
Net increase/(decrease) in cash and cash equivalents from continuing operations	3,102	(257)
Cash and cash equivalents at the beginning of the period	520	359
Effects of exchange rate changes on the balance of cash held in foreign currencies	15	-
Cash and cash equivalents at the end of the period	3,637	102

The accompanying notes on page numbers 17 to 36 form part of this half-year financial report
.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Capital Account $'000	Reorg. Reserve $'000	Share pmt Reserve $'000	Retained Profits $'000	Total Equity $'000
Opening balance at 1 July 2015	-	-	-	(21,799)	(21,799)
Profit for the period	-	-	-	11,930	11,930
Other comprehensive income/(loss) for the period	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	11,930	11,930
Initial capital	-	-	-	-	-
Shares issued to DCC partners	-	-	-	-	-
Shares issued to FPA partners	-	-	-	-	-
Capital raising	-	-	-	-	-
Employee share schemes	-	-	-	-	-
Equity raising costs net of tax	-	-	-	-	-
Recognition of share-based payments	-	-	-	-	-
Distributions to previous owners	-	-	-	(11,666)	(11,666)
Closing balance at 31 December 2015	-	-	-	(21,535)	(21,535)

	Capital Account / Issued Capital $'000	Reorg. Reserve $'000	Share pmt Reserve $'000	Retained Profits $'000	Total Equity $'000
Opening balance at 1 July 2016	-	-	-	(23,607)	(23,607)
Loss for the period	-	-	-	(114)	(114)
Other comprehensive income/(loss) for the period	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	(114)	(114)
Shares issued to DCC partners	202,116	(200,871)	-	-	1,245
Shares issued to FPA partners	61,266	-	-	-	61,266
Capital raising	30,827	-	-	-	30,827
Employee share schemes	830	-	-	-	830
Equity raising costs net of tax	(1,241)	-	-	-	(1,241)
Recognition of share-based payments	-	-	128	-	128
Distributions to previous owners	-	-	-	(1,039)	(1,039)
Reallocation of retained earnings at reorganisation date	-	(21,990)	-	21,990	-
Closing balance at 31 December 2016	293,798	(222,861)	128	(2,771)	68,294

The accompanying notes on page numbers 17 to 36 form part of this half-year financial report
.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the half-year ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly this report is to be read in conjunction with any public announcements made by QANTM Intellectual Property Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*, which can be found at http://qantmip.com/announcement/

(a) Basis of preparation

The condensed consolidated financial statements have been prepared on an accrual basis and are based on historical cost. Historical cost is based on the fair values of the consideration given in exchange for assets.

QANTM Intellectual Property Limited is a company of the kind referred to in ASIC Corporations (Rounding in the Financials/Director's Reports) 2016/191, and in accordance with that Corporations Instrument, amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand Australian dollars, unless otherwise indicated.

The Group has considered the implications of new and amended Accounting Standards but determined that their application to the financial statements is either not relevant or immaterial.

(b) Group reorganisation reserve and comparative information

In preparation for the IPO of QANTM Intellectual Property Limited on the ASX, group reorganisation transactions were undertaken which resulted in QANTM Intellectual Property Limited acquiring 100% of the shares in:

- DCC Pty Ltd on 22 August 2016
- DCC Law Pty Ltd on 22 August 2016
- FPA Patent Attorneys Pty Ltd on 22 August 2016
- Davies Collison Cave Asia Pte. Ltd on 22 August 2016

DCC Pty Ltd and DCC Law Pty Ltd

The acquisitions of DCC Pty Ltd and DCC Law Pty Ltd occurred whilst QANTM Intellectual Property Limited, DCC Pty Ltd and DCC Law Pty Ltd were under common control of the shareholders of QANTM Intellectual Property Limited.

For consolidation purposes, the transactions have been accounted for as a group reorganisation of entities under common control at predecessor carrying value. Consequently, the assets and liabilities have not been remeasured at fair value, nor has any goodwill arisen. The difference between the fair value of consideration given and the carrying values of the assets and liabilities acquired by QANTM Intellectual Property Limited has been recognised within equity as part of the "Group Reorganisation Reserve".

The financial report presents the financial results of QANTM Intellectual Property Limited and its controlled entities using the predecessor accounting method meaning the financial report has been presented as if the combinations with DCC Pty Ltd and DCC Law Pty Ltd had occurred prior to 1 July 2015, the beginning of the earliest period presented in the financial report.

FPA Patent Attorneys Pty Ltd and Davies Collison Cave Asia Pte. Ltd

The acquisitions of FPA Patent Attorneys Pty Ltd and Davies Collison Cave Asia Pte. Ltd have been accounted for as business combinations in accordance with the acquisition method under AASB 3, which requires that the identifiable assets and liabilities acquired (including intangible assets) are measured at their respective fair values. The Company has performed a provisional assessment at the acquisition date of the fair values of the identifiable assets and liabilities acquired, as it is yet to finalise the identification and determination of the fair values of the intangible assets acquired, as well as the related deferred tax balances.

(c) Basis of consolidation

The consolidated financial statements are those of the consolidated entity (the Group), comprising the financial statements of the parent entity, QANTM Intellectual Property Limited, and all the entities the parent controls (its subsidiaries). The Company controls an entity when it has power over the investee and the Group is exposed to or has rights to variable returns from its involvement with the entity and can affect those returns through its power to direct the activities of the entity.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(d) Business combination

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

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

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

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

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

Goodwill

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

(i) the consideration transferred;

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

(iii) the acquisition date fair value of any previously held equity interest; over the acquisition date fair value of net identifiable assets acquired.

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

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interest is recognised in the consolidated financial statements.

Refer to Note 11 for information on the goodwill recognised by the Group for acquisitions.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

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.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue recognition relating to the provision of services, including associate charges, is determined with reference to the stage of completion of the transaction at the end of the reporting period and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent the related expenditure is recoverable.

Total revenue comprises Service Charges and Associate Charges. Service Charge revenue is earned by providing professional services to clients for ongoing protection of intellectual property. Associate Charge revenue includes revenue from recharging the cost of arranging for intellectual property protection in other jurisdictions and revenue from recharging the fees of barristers and other experts.

Other revenue is recognised when it is received or when the right to receive payment is established.

All revenue is stated net of the amount of GST.

(f) Recoverable expenses

Recoverable expenses such as associate charges, that are payments to foreign agents that lodge applications in countries outside of those countries in which the Group acts directly before the national IP 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 117 and measurements that have some similarities to fair value but are not fair value, such as value in use in AASB 136 'Impairment of Assets'.

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

(a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
(b) 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
(c) Level 3 inputs are unobservable inputs for the asset or liability.

(h) 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, effective for FY17. 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.

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 (as head entity in the tax-consolidated group).

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

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

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

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

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

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.

(i) 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.

(j) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets
Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the effect of discounting is immaterial.

The amortised cost of a financial asset is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and the maturity amount and minus any write-down for impairment.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Financial liabilities
Financial liabilities are classified 'other financial liabilities'. Other financial liabilities include trade payables, other creditors and loans from third parties including inter-group balances.

Other financial liabilities
Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Other financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

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

(k) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note (m) for details of impairment.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Depreciation rates

Class of fixed asset	**Depreciation rates**	**Depreciation basis**
Leasehold improvements at cost	Term of lease	Straight line
Plant and equipment at cost	5–15 years	Straight line
Furniture, fixtures and fittings at cost	5–15 years	Straight line
Computer equipment at cost	3–5 years	Straight line

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.

(l) Intangibles

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

Amortisation rates

Class of intangibles	**Amortisation rate**	**Amortisation basis**
Client relationships	30 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.

(m) Impairment of assets

Assets with 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 indicates 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 of disposal and value in use.

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

(n) 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.

(o) Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

If lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(p) Employee benefits

Short and long-term employee benefit
A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave in the period the related service is rendered.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured at the present value of the estimated future cash outflows to be made by the Group in respect of service provided by the employees up to reporting date.

Retirement benefit costs
Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(q) Share based payments

Share-based payment transactions of the Company
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.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTE 2: DIVIDENDS

In respect of the half-year ended 31 December 2016, the directors resolved to pay a franked interim dividend of 3.6 cents per share. The record date will be 1 March 2017. As such the dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $4.7 million. No dividend was paid in respect of the half year ended 31 December 2015.

NOTE 3: 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 judgements

Allowance for impairment of receivables
The assessment of the allowance for impairment of receivables requires a degree of estimation and judgement. The level of allowance is assessed by considering account the recent sales experience, the aging of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Leave provisions
Annual leave provisions as at 31 December for most staff is expected to be used within 12 months of balance date. The liability for long service leave is recognised and measured at the present value of the estimated cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been considered.

Impairment of Goodwill
The group holds on its balance sheet Goodwill from business acquisitions during the year. There has been no indication of impairment as at 31 December 2016 and hence no impairment adjustment made.

NOTE 4: SEGMENT INFORMATION

(a) 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. The Asian operating segment is considered immaterial and does not currently meet the reporting criteria per AASB 8 Operating Segments, therefore the Group will only report one operating segment, being Australia, in its financial reports. If the Asian operating segment meets the reporting criteria in future periods this information will be disclosed separately in accordance with AASB 8.

(b) Major customers

No single customer contributed 10% of more to the Group's revenue during either 2016 or 2015.

NOTE 5: INCOME TAX EXPENSE

The comparative period has nil tax effect as prior to the group restructure the entities were not subject to corporation taxes as they were under partnership tax paying arrangements. On restructuring the group recognised deferred taxes as described below:

- DCC's initial net deferred tax asset recognised with a corresponding increase in the group reorganisation reserve
- FPA's initial net deferred tax asset recognised with a corresponding decrease in goodwill

	Note	31-Dec-16 $'000	31-Dec-15 $'000
(a) The components of tax expense/(benefit) comprise:			
Current tax		2,310	-
Deferred tax	5(c)	(2,488)	-
		(178)	-
(b) Deferred Income Tax Expense/(Benefit) included in Income Tax Expense comprises:			
Decrease/(increase) in DTA (temporary differences)		(3,163)	-
(Decrease)/increase in DTL		675	-
		(2,488)	-
(c) The prima facie tax on profit/ (losses) before income tax is reconciled to income tax as follows:			
Prima facie tax benefit on profit/(loss) before income tax at 30% (2015: 30%)		(88)	-
Add tax effect of:			
Non-deductible expenses		427	-
Tax on overseas income at a different rate		30	-
Less tax effect of:			
Additional DTAs recognised during the period:		(230)	-
Non-assessable income		(317)	-
Income tax benefit attributable to entity		(178)	-

(d) Current and deferred tax balances	31-Dec-16	31-Dec-15
Assets	$'000	$'000
Non-Current		
Deferred tax assets	5,554	-
TOTAL	5,554	-
Liabilities		
Current/Non-Current		
Current tax liability	2,310	-
Deferred tax liability	7,022	-
TOTAL	9,332	-
Net deferred tax liability	1,468	-

Deferred tax balances	**Opening balance**	**Recognised in profit and loss**	**Recognised directly in equity**	**Acquis-itions**	**Closing balance Dr/(Cr)**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Deferred tax assets					
Balance at 30 June 2016	-	-	-	-	-
Future income tax benefits attributable to tax losses	-	40	-	-	40
Blackhole expenses – IPO costs	-	1,910	501	-	2,411
Property, plant and equipment	-	55	-	-	55
Other accrued expenses (tax adjustment)	-	68	-	-	68
Fair value adjustments	-	95	-	-	95
Provisions	-	578	1,966	341	2,885
Balance at 31 December 2016	-	2,746	2,467	341	5,554
Deferred tax liabilities					
Balance at 30 June 2016	-	-	-	-	-
Borrowing costs	-	(6)	-	-	(6)
Prepayments	-	(3)	-	-	(3)
Work in progress	-	(157)	-	(46)	(203)
Property, plant and equipment	-	88	(420)		(332)
Client relationships & software	-	87	-	(6,300)	(6,213)
Unrealised foreign exchange gains	-	(264)	-	-	(264)
Provisions	-	(1)	-	-	(1)
Balance at 31 December 2016		(256)	(420)	(6,346)	(7,022)

NOTE 6: EARNINGS PER SHARE

The Directors have elected to present Earnings per Share on both a statutory and pro forma basis. The calculation of "Statutory EPS" is presented below.

	31-Dec-16 cents per share	31-Dec-15 cents per share
Total basic (loss) / earnings per share	(0.09)	8.98
Total diluted (loss) / earnings per share	(0.09)	8.97

(a) Reconciliation of earnings used in calculating earnings per share	**31-Dec-16**	**31-Dec-15**
	$'000	**$'000**
Profit for the period attributable to owners of the Company	(114)	11,930

The weighted average number of ordinary shares are calculated on the based on the number of ordinary shares that would have been in existence had the corporate/group reorganisation occurred as at 1 July 2015.

(b) Weighted average number of shares used as the denominator in calculation of statutory earnings per share	**31-Dec-16**	**31-Dec-15**
	No.	**No.**
Weighted average number of ordinary shares used in calculating basic earnings per share	132,900,281	132,900,281
Adjustments for calculation of diluted earnings per share:		
- Performance rights	162,162	162,162
Weighted average number of ordinary shares and potential ordinary shares used as denominator in calculating diluted earnings per share	133,062,443	133,062,443

(c) Information concerning the classification of securities

Performance rights granted to employees under the Group's executive and employee share option plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The performance rights have not been included in the determination of basic earnings per share.

NOTE 7: ISSUED CAPITAL

	Note	31-Dec-16 Number	31-Dec-16 $'000	30-Jun-16 Number	30-Jun-16 $'000
Issued and paid up capital					
Fully paid ordinary shares		132,900,281	293,798	1	-
Opening balance		1	-	-	-
Initial capital		-	-	1	-
Shares issued to DCC partners		91,043,118	202,116	-	-
Shares issued to FPA partners		27,597,152	61,266	-	-
Capital raising		13,886,260	30,827	-	-
Employee Share Schemes	7(a)	373,750	830	-	-
IPO costs		-	(1,241)	-	-
		132,900,281	293,798	1	-

(a) Employee Share Schemes
Shares issued to directors, employees and former partners now employed as consultants, as disclosed in prospectus.

NOTE 8: RESERVES

	31-Dec-16 $'000	30-Jun-16 $'000
Reorganisation Reserve	(222,861)	-
Share based payment reserve	128	-
	(222,733)	-

Reorganisation Reserve

As described in Note 1(b), the restructure has been accounted for using the net carrying values of the DCC partnerships 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 as a reorganisation reserve.

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.

NOTE 9 INTANGIBLES

	$'000	$’000	$'000	$'000	$'000
	Goodwill	**Brand Name**	**Client Relation-ships**	**Software**	**Total**
As 1 January 2015					
Cost	-	-	-	-	-
Accumulated amortisation and impairment	-	-	-	-	-
Net Book Amount	-	-	-	-	-
Year ended 31 December 2015					
Opening net book amount	-	-	-	-	-
Amortisation charge	-	-	-	-	-
Closing net book amount	-	-	-	-	-
As at 31 December 2015					
Cost	-	-	-	-	-
Accumulated amortisation and impairment	-	-	-	-	-
Net book Amount	-	-	-	-	-
Year ended 31 December 2016					
Opening net book amount	-	-	-	-	-
Additions	-	-	-	42	42
Acquisitions through business combinations	40,561	6,000	20,000	1,000	67,561
Amortisation charge	-	-	(222)	(67)	(289)
Closing net book amount	40,561	6,000	19,778	975	67,314
As 31 December 2016					
Cost	40,561	6,000	20,000	1,042	67,603
Accumulated amortisation and impairment	-	-	(222)	(67)	(289)
Net Book Amount	40,561	6,000	19,778	975	67,314

NOTE 10: BORROWINGS

	Note	31-Dec-16 $'000	30-Jun-16 $'000
Unsecured - at amortised cost			
Loans from previous owners		26	23,656
		26	23,656
Secured - at amortised cost			
Bank loans	10(a)	14,478	10,951
Leases		1,491	2,142
		15,969	13,092
		15,995	36,748
Current		799	35,555
Non-Current		15,196	1,193
		15,995	36,748

(a) Summary of borrowing arrangements

As part of the corporate reorganisation, the Company established new banking facilities with ANZ. These banking facilities include:

- $25 million revolving overdraft sub-facility and cash advance sub-facility (Facility A);
- $4.5 million asset finance facility (Facility B);
- $30 million acquisition facility (Facility C);

(together, Banking Facilities).

Facilities A, B and C have a maturity date of 31 July 2019. All facilities have a variable interest rate based on bank bill swap rate (BBSY) plus a margin calculated with reference to the net leverage ratio. In addition, line fees calculated based on the relevant facility limit are payable on Facility A and Facility C.

The facility agreement under which banking facilities have been made available contain financial covenants typical for facilities of this nature. The covenants include financial covenants which are tested quarterly (unless otherwise specified in the facility agreement). The financial covenants relate to the leverage ratio, fixed charge cover ratio, working capital ratio and debt/debt + equity ratio. The Company has operated within these covenants during the reporting period.

NOTE 11: CHANGES IN THE COMPOSITION OF QANTM INTELLECTUAL PROPERTY LIMITED

On 22 August 2016, the Group acquired 100% interest in FPA Patent Attorneys Pty Ltd and 100% interest in Davies Collison Cave Asia Pte Ltd. FPA is patent attorney firm specialising in patent law and Davies Collison Cave Asia Pte Ltd is engaged in patent, trade mark, design & copyright, commercialisation, privacy and data protection and services in Singapore and the ASEAN region. The acquisitions allowed QANTM to diversify its current IP offerings.

Acquisitions	**Date of acquisition**	**Proportion of ownership acquired %**	**Cost of acquisition $'000**
Half year ended 31 December 2016			
• FPA Patent Attorneys Pty Ltd	22-Aug-16	100%	61,266
• Davies Collison Cave Asia Pte Ltd	22-Aug-16	100%	-
Total Consideration			61,266

Assets acquired and liabilities assumed at the date of acquisition	**$'000**
Current assets	
Cash and cash equivalents	2,327
Trade and other receivables	7,773
Other	273
Non-current assets	
Property, plant and equipment	419
Intangible assets	27,000
Current liabilities	
Trade and other payables	(3,404)
Provisions	(520)
Borrowings - partners	(1,622)
Borrowings - external	(3,500)
Non-current liabilities	
Borrowings	(1,649)
Provisions	(386)
Deferred tax balance	(6,006)
Net assets	20,705
Goodwill arising on acquisition	
Cash consideration	-
Equity consideration	61,266
Less: fair value of identifiable net assets acquired	20,705
	40,561

The acquisitions of FPA Patent Attorneys Pty Ltd and Davies Collison Cave Asia Pte. Ltd have been accounted for as business combinations in accordance with the acquisition method under AASB 3, which requires that the identifiable assets and liabilities acquired (including intangible assets) are measured at their respective fair values. The Company has performed a provisional assessment at the acquisition date of the fair values of the identifiable assets and liabilities acquired, including software, customer relationships, and brand names, as it is yet to finalise the identification and determination of the fair values of the intangible assets acquired, as well as the related deferred tax balances.

NOTE 12: FINANCIAL INSTRUMENTS

This note provides information about how the Group determines the fair value of various financial assets and liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31-Dec-16 $'000	30-Jun-16 $'000		
Forward exchange contracts	391	566	Level 2	Discounted cash flow. 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.

The Board considers that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair value.

NOTE 13: SHARE BASED PAYMENTS

The Company has established a long-term incentive plan (LTIP) to assist in the motivation and retention of key employees. The LTIP is designed to align the interests of eligible employees more closely with the interests of shareholders by providing an opportunity for eligible employees to receive an equity interest in the Company.

Prior to listing, the Company issued 162,162 retention rights to 13 senior employees. Each right is capable of conversion into a fully paid share after a two year vesting period. Vesting is not conditional on any performance conditions, only time and continued service.

	31-Dec-16 Number	30-Jun-16 Number
Balance at the beginning of the year	-	-
- Number issued during the financial year	162,162	-
Balance at the end of the year	162,162	-
Exercisable at 31 December 2016	-	-

Rights series	Number of rights	Grant date	Vesting date	Expiry date	Exercise date	Fair value at grant date
Retention rights	162,162	30-Aug-16	30-Aug-18	30-Aug-18	30-Aug-18	$1.89

For the rights granted during the current period, the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date share price	$2.22
Exercise price	nil
Estimated Volatility	N/A
Years to vest	2
Risk free interest rate	2.74%
Dividend yield	4.90%

The weighted average fair value of the retention rights granted during the financial year is $1.89.
The retention rights have features akin to options, except that there is no exercise price payable. As the commonly used option pricing models value the deferral of the exercise price, and there was no exercise price, these models were not able to be applied. Accordingly, the retention rights were valued on the underlying value of the QANTM shares, adjusted for the impact of dividends and a risk free rate of return.

NOTE 14: CONTINGENT LIABILITIES

	31-Dec-16 $'000	30-Jun-16 $'000
Estimates of material amounts of contingent liabilities, not provided for in the financial report.		
Bank guarantees in respect of property leases	3,291	1,370

NOTE 15: EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

NOTE 16: SIGNIFICANT EXPENSES

	Half-year ended	
	31-Dec-16 $'000	31-Dec-15 $'000
The following significant expense items are relevant in explaining the financial performance:		
Employee benefits expenses	(23,190)	(11,951)

Employee compensation expenses for the period from 23 August 2016 to 31 December 2016 includes Principals' compensation. Prior to this date, Principals were partners and did not receive compensation.

Other Expenses		
Travel and entertainment	(1,300)	(1,068)
Technology costs	(1,835)	(1,713)
Marketing	(546)	(615)
IPO costs	(6,574)	-
Other expenses	(2,393)	(1,617)
	(12,648)	(5,012)

QANTM INTELLECTUAL PROPERTY LIMITED

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors

Leon Allen, Director

Abigail Cheadle, Director