

QANTM Intellectual Property Limited ACN 612 441 326 and Controlled Entities

Financial report for the year ended 30 June 2020

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Results for Announcement to the Market

Key Information		2020 \$'000	2019 \$'000	% Change
Revenue from ordinary activities	Up	116,568	112,170	4%
Profit after tax from ordinary activities attributable to members	Down	9,377	11,206	16%
Net profit attributable to members	Down	9,377	11,206	16%

Dividends Paid and Proposed

	Amount per Security	Franked Amount per Security at 30% of Tax
Ordinary shares:		
2020 interim ordinary dividend paid 26 March 2020	3.3 cents	3.3 cents
2020 final ordinary dividend declared 27 August 2020	3.8 cents	3.8 cents
Record date for determining entitlements to the final dividend on ordinary shares:	3 September 2020	
Payment date	1 October 2020	

Explanation of Key Information and Dividends

Refer to the accompanying Directors' report of the Annual Report for commentary on the results.

Statement of Profit or Loss and Other Comprehensive Income with Notes to the Statement

Refer to page 30 of the 30 June 2020 financial report and accompanying notes for QANTM Intellectual Property Limited and Controlled Entities.

Statement of Financial Position with Notes to the Statement

Refer to page 31 of the 30 June 2020 financial report and accompanying notes for QANTM Intellectual Property Limited and Controlled Entities.

Statement of Changes in Equity with Notes to the Statement

Refer to page 32 of the 30 June 2020 financial report and accompanying notes for QANTM Intellectual Property Limited and Controlled Entities.

Statement of Cash Flows with Notes to the Statement

Refer to page 33 of the 30 June 2020 financial report and accompanying notes for QANTM Intellectual Property Limited and Controlled Entities.

QANTM Intellectual Property Limited ACN 612 441 326 and Controlled Entities

Financial report for the year ended 30 June 2020

APPENDIX 4E – PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Dividend Reinvestment Plan

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

Net Tangible Assets per Share

	2020 cents per share	2019 cents per share
Net tangible assets per ordinary share	(\$0.03)	\$0.01

Control Gained or Lost over Entities in the Year

Control gained: Cotters IP Pty Ltd, (ACN 144 897 316), 22 May 2020

Control lost: None

Commentary on the Results for the Period

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

Status of Audit

The 30 June 2020 financial statements and accompanying notes for QANTM Intellectual Property Limited and Controlled Entities have been audited and are not subject to any disputes or qualifications. Refer to pages 81-84 of the 30 June 2020 financial report for a copy of the auditor's report.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Financial Report

For the Year Ended 30 June 2020

QANTM Intellectual Property Limited and Controlled Entities

	Page
Directors' Report	2
Auditor's Independence Declaration	29
Consolidated Statement of Profit or Loss and Other Comprehensive Income	30
Consolidated Statement of Financial Position	31
Consolidated Statement of Changes in Equity	32
Consolidated Statement of Cash Flows	33
Notes to the Financial Statements	34
Directors' Declaration	80
Independent Audit Report	81
Additional Information for Listed Public Companies	85

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT

for the year ended 30 June 2020

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 2020 (FY20). To comply with the provisions of the *Corporations Act 2001*, the Directors' report follows.

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

Davies Collison Cave, including:

- Davies Collison Cave Pty Ltd - an incorporated patent and trade marks attorney business operating in Australia and New Zealand (DCC);
- Davies Collison Cave Law Pty Ltd - an incorporated legal practice operating in Australia (DCC Law);
- Davies Collison Cave Asia Pte Ltd - an incorporated patent and trade marks attorney business operating in Singapore (DCC Asia);

FPA Patent Attorneys, including:

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

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

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

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

QANTM generates revenue by providing services in relation to the creation, protection, commercialisation, enforcement and management of IP. In addition, QANTM generates revenue outside the IP application process, with clients engaging the QANTM businesses to provide strategic IP advice regarding their IP portfolio or that of their competitors. Such strategic advice assists clients in identifying potential opportunities for IP protection. DCC Law provides IP legal and litigation services, and corporate and commercial legal advice on mergers and acquisitions, governance and compliance, business structures and restructures, capital raising, joint ventures, finance and asset protection.

QANTM has a diverse client base ranging from start-up ventures and SMEs to Fortune 500 multinationals, public sector research institutions and universities. The majority of QANTM's clients are located in the US, Europe, Japan and Australia and can be broadly divided into three groups:

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

QANTM businesses have relationships with a broad range of Foreign Associates internationally. These Foreign Associates engage QANTM businesses to act on behalf of international clients where that client wishes to obtain IP protection in Australia, New Zealand, Singapore or Malaysia (often as part of the 'national phase entry' of PCT applications). Similarly, QANTM businesses will engage a Foreign Associate to act on behalf of a QANTM client in Australia, New Zealand, Singapore or Malaysia that wishes to obtain IP protection in the Foreign Associate's jurisdiction. This reciprocity between QANTM businesses and their network of Foreign Associates is important in generating incoming referrals of international clients and revenue for the firms.

As at 30 June 2020, the QANTM Group had a total of 347 employees.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT for the year ended 30 June 2020

1. General information

1.1. Directors

The names of the Directors in office at any time during, or since the end of, FY20 are:

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

Apart from Mr Allen and Mr Dower, each of the Directors has been in office since prior to the start of FY20 and through to the date of this report.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT

for the year ended 30 June 2020

1. General information (continued)

1.2 Information on directors

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

Mr Richard England	Non-Executive Chairman
Qualifications	FCA, MAICD
Experience	Richard was appointed independent Non-Executive Chairman on 17 May 2016. He was formerly a partner at Ernst & Young from 1988 to 1994 and a consultant until 2003. Richard is a Fellow of Chartered Accountants Australia and New Zealand and a Member of the Australian Institute of Company Directors.
Interest in shares and options	135,134 shares
Special responsibilities	Chairman
Other current listed directorships	Non-Executive Director of Japara Healthcare Limited.
Former directorships of listed entities (last 3 years)	Chairman of Ruralco Holdings Limited until his resignation on 5 September 2016. Non-Executive Director Chairman of Automotive Holdings Group Limited (retired 31 October 2019). Non-Executive Director of Bingo Industries Limited (retired 30 October 2019). Non-Executive Director of Atlas Arteria. (retired 30 November 2018).

Mr Craig Dower	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	Issued with 295,050 performance rights during FY20 pursuant to QANTM's Employee Incentive Plan.
Special responsibilities	Chief Executive Officer (from 13 January 2020), Managing Director (from 1 July 2020)
Other current listed directorships	None

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT

for the year ended 30 June 2020

1. General information (continued)

1.2 Information on directors (continued)

Mr Leon Allen	Managing Director and Chief Executive Officer (retired with effect from 13 January 2020), Non-Executive Director (appointed with effect from 1 July 2020)
Qualifications	BSc (Hons), Patent Attorney
Experience	Leon has worked as a patent attorney since 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	Managing Director and Chief Executive Officer (to 13 January 2020)
Other current listed directorships	None
Former directorships of listed entities (last 3 years)	None

Ms Abigail Cheadle	Non-Executive Director
Qualifications	B. Bus, ACA, MAICD
Experience	Abigail is a chartered accountant and member of the Australian Institute of Company Directors. She was formerly a certified fraud examiner and a member of the Singapore Institute of Directors. Abigail has had an executive career with global services firms in Asia: • building and managing professional services businesses for Kroll, KordaMentha, Ernst & Young and Deloitte; • restructuring and recapitalising listed companies; and • managing risk for multi- nationals. Abigail returned to Australia to be CEO of a disruptive tech platform which was sold before embarking on a non- executive career.
Interest in shares and options	45,045 shares
Special responsibilities	Chair of the Audit, Risk and Compliance Committee
Other current listed directorships	Non-Executive Director of Isentia Group Limited Non- Executive Director of Shriro Holdings Limited
Former directorships of listed entities (last 3 years)	Non-Executive Director of SurfStitch Group Limited

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT

for the year ended 30 June 2020

1. General information (continued)

1.2 Information on directors (continued)

Mr Cameron Judson

Non-Executive Director

Qualifications

BA, MBA, MAICD

Experience

Most recently, Cameron held CEO roles with ASX-listed McGrath Estate Agents and Chandler Macleod Group. Prior to these roles, he held a range of leadership roles with Chandler Macleod, UTC Fire & Security and TNT.

Cameron is a member of the Australian Institute of Company Directors.

Interest in shares and options

45,044 shares

Special responsibilities

Chair of the People, Remuneration and Culture Committee

Other current listed directorships

Non-Executive Director for Limeade (ASX:LME)

Former directorships of listed entities (last 3 years)

None

Ms Sonia Petering

Non-Executive Director

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

None

Other current listed directorships

Non-Executive Director of Virtus Health Limited (ASX:VRT).

Former directorships of listed entities (last 3 years)

None

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT for the year ended 30 June 2020

1. General information (continued)

1.2 Information on directors (continued)

Company Secretary

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

- Mr Martin Cleaver
- Mr Hasaka Martin

Martin was appointed as Company Secretary on 30 August 2017 and also serves as Chief Financial Officer. Martin is a chartered accountant with over twenty years' experience in senior finance roles, including most recently with Chandler Macleod Group Ltd as Executive General Manager, Finance and also as Deputy Chief Financial Officer. Prior to that Martin held senior finance positions at ANZ Banking Group Ltd and KPMG.

Hasaka was appointed as Joint Company Secretary on 19 December 2017. Hasaka is a chartered secretary with over ten years' experience, he holds a Graduate Diploma in Applied Corporate Governance and is a Fellow of both the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators.

2. Meetings of Directors

The number of meetings of QANTM's Board of Directors (the Board) held during FY20, and number attended by each Director¹ during that period are:

	Directors' Meetings		Audit, Risk and Compliance Committee		People, Remuneration and Culture Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr Richard England	20	20	N/A	N/A	N/A	N/A
Mr Leon Allen	8	8 ²	N/A	N/A	N/A	N/A
Ms Abigail Cheadle	20	20	4	4	6	6
Mr Cameron Judson	20	20	4	4	6	6
Ms Sonia Petering	20	20	4	4	6	6

Notes:

¹ Mr Dower did not serve as a Director during FY20, he was appointed as Managing Director with effect from 1 July 2020.

² Mr Allen attended all 8 Director's meeting held during the period that he served as Managing Director during FY20 (1 July 2019 through 13 January 2020).

3. Principal Activities

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

QANTM's principal operations are in Australia where DCC, FPA and Cotters service both local and international clients in relation to their Australian IP rights, and DCC Law provides legal services. DCC also operates in New Zealand. Asia is a strategic focus, with DCC Asia and FPA Asia opening offices in Singapore in 2015 and 2018 respectively. AFIP is a Malaysian company acquired by QANTM on 2 July 2018, and provides IP services for Malaysian clients as well as regional and other international clients.

QANTM acquired Cotters Patent and Trade Mark Attorneys in May 2020. Apart from this acquisition, and the commencement of operations by ipervescence, there were no significant changes in the nature of the Group's principal activities during the financial year.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT

for the year ended 30 June 2020

4. Operational and financial review¹

The following provides commentary on the Group's FY20 results.

The Group's total revenue for FY20 was \$116.6 million, compared with \$112.2 million for the 12 month period ended 30 June 2019 (FY19). Net revenue, after other income and recoverable expenses from Associate Charges, was \$94.0 million compared with \$90.3 million for FY19. The Group's reported consolidated EBITDA after foreign exchange was \$22.2 million compared with \$24.0 million EBITDA for FY19. The Group's underlying NPAT was \$14.0 million, compared with \$14.8 million in FY19.

Net debt as at 30 June 2020 was \$17.4 million, compared with \$11.1 million as at 30 June 2019. Gearing (net debt/net debt + book equity) at 30 June 2020 was 19.6%. (30 June 2019: 13.6%).

In line with the Company's dividend payment policy, Directors determined a total FY20 dividend payment of 7.1 cents per share, fully franked, made up of an interim dividend of 3.3 cents per share and a final dividend of 3.8 cents per share. The FY19 dividend payment was 8.3 cents, made up of an interim dividend of 3.5 cents and a final dividend of 4.8 cents, fully franked.

The Group's Total Operating Expenses were \$70.6 million in FY20, compared with \$72.8 million in FY19 (refer below for details of Recoverable Expenses associated with Associate Charges).

Principal operational and business activities during the year included:

- the appointment of Craig Dower as the Company's new chief executive officer, commencing on 13 January 2020. Craig was also be appointed as managing director with effect from 1 July 2020. Leon Allen was the managing director and chief executive officer during the first half of the financial year, but ceased in that role on 13 January 2020. Mr Allen was appointed a non-executive director of the company with effect from 1 July 2020, and will stand for re-election at the company's 2020 Annual General Meeting;
- the delivery of increased value to all stakeholders, undertaken through: COVID-19 scenario planning; a strategy refinement process which includes post COVID-19 opportunities; the commencement of a business transformation program, including a technology modernisation program; continued evaluation and pursuit of strategically and financially appropriate acquisition opportunities and a focus on increased revenue and earnings through business development and geographic expansion;
- the commencement of operations in July 2019 of ipervescence Pty Ltd, an intellectual property advisory business, majority owned by QANTM, providing IP consultancy and locum services;
- the creation of two new executive roles of Chief Transformation Officer, to which Kylie Sprott was appointed, and Head of M&A and Risk, to which Morgan Sloper was appointed;
- continued investment in people and culture, in the areas of health and well-being; flexible work practices; skills and career development; remuneration, rewards, incentives and protecting and enhancing the company's culture;
- continued focus on clients, through the highest quality service; improved systems and processes; greater collaboration; the expansion of service offering (via geography and adjacent services); and a focus on key market development opportunities;
- the promotion of 21 professional staff across the Group, of which 67% were women, with women comprising 80% of promotions into manager roles;
- commencement of the re-alignment of vendor principal remuneration packages, three years after the initial public offering, to reflect market relativities, including a short term incentive scheme and retention payments to incentivise retention for a further period of at least two years, and the involvement of further new principals in an Employee Share Trust, established in 2018 to align principal incentives to the interests of shareholders; and
- the acquisition in May 2020 of Sydney-based IP firm Cotters Patent & Trade Mark Attorneys, effective 22 May 2020. The total purchase consideration of \$A5.35m will be paid in instalments over 2 years, with 35% being paid by way of issue of QANTM shares, which will be escrowed until the second anniversary of completion (paid in both initial and deferred instalments).

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.

DIRECTORS' REPORT

for the year ended 30 June 2020

4. Operational and financial review (continued)

4.1. Business conditions

Business conditions in FY20 were primarily marked by the following features:

- the patent service offering of DCC, FPA and AFIP recorded another strong performance, with combined service charge revenues increasing by 4.4%. Patents contributed 68% of Group revenue;
- overall QANTM Group patent applications grew 3.1%, with new Australian patent application filings increasing by 0.9%, in the context of an overall Australian patent market decline of 0.6%;
- the third consecutive annual increase in patent application filings market share growth in Australia, with QANTM's market share increasing to 14.2%, compared to 14.0% in the prior year. QANTM Group patent application filings in Asia increased by 25.9% and now represent 13% of Group patent applications;
- QANTM's 2H 20 Group patent applications declined by 7.1% relative to 1H 20. QANTM's 2H 20 Australian patent applications declined, down 3.4% in the context of an overall Australian market application decline of 1.8%. Relative to 2H 19, QANTM's 2H 20 patent applications increased by 0.7%;
- QANTM's Group trade mark service charge revenue increased by 0.6%. Trade marks contributed 18% of Group revenue. QANTM's total Group trade mark filings were stable year-on-year;
- in Australia, DCC remained the number one practice amongst the top 50 trade mark filers, with an increase in market share from 9.9% to 10.9% year-on-year, despite QANTM's Australian trade mark filings declining by 5.5%, in the context of a marginal increase (0.7%) in the total number of filings by the top 50 filers;
- legal service charges revenue (which includes advisory services provided by AFIP) declined by 3.8% relative to a record 2019 revenue result; and
- Asia region revenues from DCC, FPA and AFIP across patents, trade marks and advisory services increased by 22.7%. Asia now constitutes 6.4% of QANTM's total revenues, and this level is expected to continue to grow. Asia patent applications increased by 25.9%, a favourable indicator for future revenue generation.

COVID-19

In relation to the onset of the COVID-19 virus and potential implications for the QANTM business, the following comments are made:

- to date, the QANTM business entities have not observed a material effect on the flow of work, noting, however, that understanding the course of the pandemic and its short and longer term structural implications for any business sector remains highly problematic;
- the speed and ability of the workforce to adapt to remote working arrangements has meant that client servicing arrangements have continued smoothly;
- there are numerous factors that suggest that intellectual property, and QANTM, may represent a relatively defensive business. IP in all of its manifestations remains the cornerstone of brand, franchise and commercial activity for a range of companies and organisations. The continued protection of these elements through what represents a relatively minor, but strategic expenditure, can be expected to be maintained;
- the diversity of the QANTM portfolio, as to areas of service provision, geography and nature of client businesses and sectors, is also likely to afford some differentiation in terms of client business levels, both favourable and adverse;
- clearly, the flow-on consequences of recessionary economic conditions and the preparedness of organisations to commit to research and development and other forms of investment expenditure, represents a fundamental influence on business activity influencing the IP sector. In this regard, as was evident in other global economic downturns, there can be expected to be an abatement in some areas of activity; and
- medium term, it may be expected that the dislocation caused by COVID-19 may create favourable outcomes for IP-related activity in numerous sectors (pharmaceuticals and health care, consumer services, telecommunications, IT-related sectors), while the need to innovate in how many aspects of everyday life are conducted may also represent an opportunity for the QANTM businesses to work with existing and new clients on IP development.

QANTM's approach is to be flexible and responsive to emerging business conditions. The organisation has adapted to servicing clients remotely and in different ways. This will continue to form part of the business transformation process being undertaken. QANTM has focused on supporting personnel through the pandemic, including accelerating the first phase of a technology modernisation program, as well as the implementation of several health and well-being programs in support of the disruption of usual work practices.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT

for the year ended 30 June 2020

4. Operational and financial review (continued)

4.1 Business conditions (continued)

QANTM has developed scenario plans to assist in matching capacity to workload, if and when this varies in the year ahead. At the same time, appropriate levels of investment in areas central to the delivery of long-term profitable growth will continue. These include: the investment in people and organisational culture, which includes professional development, personal well-being and retention; in business transformation through business processes and systems; and in business and market development, most notably building a greater involvement in the Asian region."

4.2. Financial Results – Key Elements

The main features of the FY20 financial results are provided below:

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 FY20 are adjusted for various items, with a net total of \$(0.4) million (2019: \$4.1 million) not considered of a recurring nature. These included remuneration-related acquisition costs, business acquisition costs, new business establishment costs and one-off retention costs (totalling \$4.5 million) offset by AASB 16 expense add back (\$4.9 million). Refer page 12 for a reconciliation of statutory Net Profit After Tax ('NPAT') to underlying NPAT.

Revenue

The Group's total statutory revenue (service charges and associate charges) was \$116.6 million (2019: \$112.2 million).

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

Total net revenue of \$94.0 million (2019: \$91.9 million) included other income of \$2.1 million, and is after recoverable expenses from associate charges of \$24.7 million.

Services charges increased by 4.4% to \$90.3 million (2019: \$86.5 million), comprising the following main components:

- Patent services charges (68% of total QANTM services charges) of \$62.1 million (2019: \$57.9 million);
- Trade mark services charges (18% of QANTM's services charges) of \$15.7 million (2019: \$15.6 million);
- Legal revenue (14% of QANTM's total) of \$12.5 million (2019: \$13.0 million); and
- Cotters initial contribution of \$0.2 million.

Expenses

Total underlying operating expenses were \$71.0 million, a \$3.9 million or 5.8% increase from the prior comparative period (2019: \$67.1 million). Higher underlying expenditure related to an increase in fee-earner remuneration and performance based incentives expenses, as well as higher corporate costs associated with investment in resources and processes to transform the business, partially offset by lower occupancy, travel and other costs.

4.3. EBITDA and EBITDA Margin

Statutory EBITDA was \$22.6 million (2019: \$19.9 million). EBITDA margin (on Service Charges) was 25.0% (2019: 23.0%)

Underlying EBITDA, after foreign exchange (FX) was \$22.2 million (2019: \$24.0 million). The \$1.8 million lower EBITDA is in the context of an unfavourable FX movement of \$1.6 million year-on-year, as well as higher investment in fee-earner remuneration and business transformation, both of which are expected to be remunerative in future years.

Underlying EBITDA margin (on Service Charges) was 24.6% (2019: 27.7%). EBITDA margin on total revenue was 19.0% (2019: 21.4%).

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT

for the year ended 30 June 2020

4. Operational and financial review (continued)

4.4. Depreciation and Amortisation

Depreciation and amortisation in FY20 was \$6.8 million compared with \$2.3 million in FY19. \$4.6 million of the increase in the current year was attributable to the adoption of AASB 16 and the amortisation of the right-of-use asset in the current year.

4.5. Net Profit After Tax

Statutory net profit after tax was \$9.4 million (2019: \$11.2 million), a 16.1% decrease. Earnings per share was 7.18 cents (2019: 8.42 cents).

Underlying net profit after tax was \$14.0 million (2019: \$14.8 million), a 5.4% decrease. Refer page 12 for a reconciliation from statutory to underlying NPAT.

4.6. Net Interest and Net Debt

Net interest charges in FY20 were \$0.8 million. The Company held total bank facilities of \$38.3 million and had \$23.6 million drawn as at 30 June 2020 with \$6.2 million cash on hand. As at 30 June 2020 the Company had net debt of \$17.4 million. Gearing (net debt/net debt + equity) at 30 June 2020 was 19.6 per cent.

4.7. Operating Cash Flow

Cash flow provided by operating activities for the year was \$15.0 million (2019: \$14.6 million), with a net increase of \$0.4 million after investing and financing movements.

4.8. Net Assets

The net assets of the Group have increased by \$0.6 million, from \$70.6 million at 30 June 2019 to \$71.2 million at 30 June 2020. Intangible assets increased by \$5.8 million due mainly to the acquisition of Cotters. Assets and liabilities have been impacted by the adoption of AASB16 which has had the effect of increasing assets by \$15.8 million and liabilities by \$17.9 million. Net debt increased by \$6.3 million.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT for the year ended 30 June 2020

5. Net profit after tax²

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

	Year ended	
	30-Jun-20	30-Jun-19
	\$'000	\$'000
Statutory NPAT	9,377	11,206
add: interest	1,535	961
add: depreciation and amortisation	6,760	2,275
add: tax	4,941	5,507
EBITDA – QANTM Group	22,613	19,949
add: share based payments (one-off)	26	33
add: remuneration related to business acquisition	1,860	3,070
add: new business establishment costs	299	467
add: retention payments	814	-
less: lease payments	(4,857)	-
less: scheme of arrangement break fee	-	(1,600)
add: business acquisition costs	1,402	2,096
Underlying EBITDA – QANTM Group	22,157	24,015
less: depreciation and amortisation	(6,760)	(2,275)
add: AASB16 amortisation and interest	5,363	-
less: interest	(1,535)	(961)
less: tax	(5,275)	(6,006)
Underlying NPAT - QANTM Group	13,950	14,773

² Represents non-IFRS information and is unaudited.

DIRECTORS' REPORT

for the year ended 30 June 2020

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

6.1. Business model

QANTM, as a leading publicly listed IP company, offers to clients in a range of sectors, services associated with the creation, protection, commercialisation, enforcement and management of IP rights. The services offered are highly specialised and provided through IP services businesses operating under four main brands - Davies Collison Cave ('DCC'), FPA Patent Attorneys ('FPA'), Cotters Patent and Trade Mark Attorneys ('Cotters') and Malaysian company, Advanz Fidelis IP Sdn Bhd ('AFIP').

Key characteristics of QANTM have included 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 appropriate shareholder returns.

The main elements of QANTM's strategic focus include:

- focus on revenue growth from the existing business model, via new patent and trade mark applications, prosecution, advisory services and patent and trade mark renewals;
- provision of patent litigation and other services to both domestic and international clients, with business generated from both QANTM's entities as well as outside clients;
- development and expansion of an intellectual property services business in Asia, which has included the acquisition of AFIP in Malaysia, establishing a Singapore office presence for both DCC and FPA, managing clients' Asian portfolios and filings and building a local originating presence drawing upon the firm's technical expertise, as well as by selective professional appointments. QANTM is also continuing to pursue appropriate acquisition opportunities in Asia;
- undertaking a business transformation process, including technology modernisation designed to increase productivity, increase client collaboration, generate competitive advantage and create new revenue streams; as well as a growth and scale component, designed to further expand the Group's footprint in Asia, while evaluating and pursuing merger and acquisition opportunities;
- maintaining and enhancing internal organisational capabilities through: continuing to invest in health and well-being of its employees; further developing learning and development opportunities and re-imagining work practices post-COVID-19 for the purposes of enabling more rewarding careers, creating greater flexibility and 'future-proofing' skills and capabilities; and

DIRECTORS' REPORT

for the year ended 30 June 2020

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

- building a deeper client engagement through client feedback programs, delivering greater client value through account planning and engagement for the purposes of generating greater value and differentiation, as well as increased revenues.

Apart from the foregoing, other key business priorities also include:

- managing effectively through potential COVID-19 outcomes;
- undertaking a strategy refinement process, which includes the consideration of post COVID-19 opportunities;
- a business transformation program, including a technology modernisation component;
- the continued evaluation and pursuit of strategically and financially appropriate acquisitions; and
- pursuing increased revenue and earnings through business transformation and geographic expansion.

Given the uncertainty in economic and market conditions, QANTM is not providing market-guidance for the 2021 financial year.

a. 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 currently under consideration 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.

DIRECTORS' REPORT
for the year ended 30 June 2020

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

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

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

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

Attraction, engagement and retention of high performing professionals

The nature of the services provided by the Group are fundamentally based on the intellectual knowledge, industry experience and client knowledge of key professional staff. The Group relies on attracting, engaging and retaining its high performing Principals and professionals to offer a broad skill set to its clients. 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 through the initiatives outlined in section 1.5 of this Report, and remunerating fairly, including through the revised market-based remuneration arrangements for Principals who accepted fixed remuneration arrangements and no participation in incentive programs for a three year period from QANTM's IPO, as referenced in the Remuneration Report section of QANTM's Annual Report, are key elements of retention and engagement. A process of determining succession planning arrangements for key personnel is a priority. Principals (apart from those Principals who received equity upon QANTM's IPO) also participate in an employee share plan.

Foreign exchange risk

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

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

Cyber Security

QANTM takes cyber security and its potential consequences extremely seriously.

DIRECTORS' REPORT
for the year ended 30 June 2020

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

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

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

There is a residual risk that QANTM's backup protocols, inbuilt redundancies, restoration procedures and data recovery plans may not be adequate to enable timely recovery in all conceivable circumstances, including natural disasters, acts of terrorism or war, failure of utilities, sabotage, including breaches of cyber security and malicious hacking, or system failure due to other causes. A serious breach of privacy caused by a cyber-attack could result in damage to brand reputation, financial loss and permanent loss of revenue. Levels of redundancy and backup are built into IT systems to provide system availability and protection of data.

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

Acquisitions

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

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

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

COVID 19

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

DIRECTORS' REPORT
for the year ended 30 June 2020

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

Second, while QANTM has not seen a material deterioration in its financial performance during FY20, reduced investment in innovation and intellectual property protection by the Group's clients is possible going forward. QANTM has acted pre-emptively to manage this risk, by focusing on management of QANTM's cost base, including implementing temporary voluntary pay reductions for senior executives and all Principals in FY20. QANTM will continue to monitor closely levels of activity and revenue, and costs, to ensure it is prepared to respond to a material downturn in client activity.

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

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

7. Significant changes in state of affairs

Leon Allen retired as Chief Executive Officer and Managing Director of QANTM with effect from 13 January 2020. Craig Dower commenced as CEO of QANTM with effect from 13 January 2020, and was also appointed as Managing Director with effect from 1 July 2020.

There were no other significant changes in the state of affairs of the Group during FY20.

8. Remuneration Report (Audited)

The directors present the remuneration report for the year ending 30 June 2020. 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 FY20. KMP refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

The report has been divided into the following sections:

- Identification of the KMP;
- Role of the People, Remuneration and Culture Committee;
- Non-Executive Director remuneration;
- Executive remuneration framework;
- Relationship between the remuneration policy and Group performance;
- FY20 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 FY20, were as set out below. During FY20, the People, Remuneration and Culture Committee ("PRCC"), a committee of the board, reviewed the definition of KMP under the relevant accounting standard in light of delegations of authority introduced with respect to the management of the Company during FY20 and with effect from 13 February 2020, resolved that, in addition to the non-executive directors, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are the executive officers who comprise KMP. Disclosures with respect to other KMP are made with respect to the period 1 July 2019 to 13 February 2020 unless otherwise specified.

DIRECTORS' REPORT

for the year ended 30 June 2020

8. Remuneration Report (Audited) (continued)

Non-Executive Director	Position
Mr Richard England	Non-Executive Chairman
Ms Abigail Cheadle	Non-Executive Director
Mr Cameron Judson	Non-Executive Director
Ms Sonia Petering	Non-Executive Director
Executive Director	Position
Mr Leon Allen	Managing Director and Chief Executive Officer (CEO) (Resigned 13 January 2020)
Executive Officers	Position
Craig Dower	Chief Executive Officer (CEO) (Appointed 13 January 2020)
Mr Martin Cleaver	Chief Financial Officer (CFO) and Company Secretary
Mr James Cherry	FPA Managing Principal
Mr Jern Ern Chuah	CEO Advanz Fidelis IP Sdn Bhd
Mr Michael Wolnizer	DCC Group Managing Principal
Mr David Webber	DCC Patents Managing Principal
Mr Adam Sears	DCC Trade Marks Managing Principal
Mr Christopher Jordan	DCC Law Managing Principal

The KMP named held their respective positions for the whole of the financial year, with the exception of Mr Leon Allen and Mr Craig Dower. Mr Allen retired from his position of Managing Director and Chief Executive Officer with effect from 13 January 2020, and was appointed as a Non-Executive Director of QANTM with effect from 1 July 2020. Mr Dower joined QANTM as Chief Executive Officer on 13 January 2020, and also as Managing Director of QANTM Group with effect from 1 July 2020. Messrs Cherry, Chuah, Wolnizer, Webber, Sears and Jordan were KMP from 1 July 2019 to 13 February 2020.

Role of the People, Remuneration and Culture Committee

The PRCC operates in accordance with a charter approved by the board. The PRCC is comprised of independent, non-executive directors, and assists and advises the board on remuneration policies and practices for non-executive and executive directors, the CEO, the CFO, other senior executives and the Group generally.

The objective of the PRCC is to help the board fulfil its statutory, fiduciary and regulatory responsibilities and achieve its objectives so that the Company:

- has a board possessing an appropriate range of skills, experience and expertise to discharge effectively its responsibilities and duties;
- has in place and operates in accordance with coherent remuneration policies and practices to attract and retain executives and directors who will create value for shareholders;
- fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executives and the general external pay environment; and
- maintains a culture which supports high standards of corporate governance and ethical conduct for the Group.

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

The PRCC engaged HRascent as a remuneration consultant during FY20. HRascent made remuneration recommendations with respect to the detailed terms for issue of performance rights to the CEO, the design and terms of a CEO short-term incentive program for FY20, benchmarking of senior executive remuneration and design of a long-term incentive plan for senior executives including the CFO (but not the CEO). HRascent received \$33,000 in fees for the provision of these remuneration recommendations. The board is satisfied that the remuneration recommendations were made free from undue influence by the member or members of the KMP to whom the recommendations relate, on the basis that selection of HRascent as the remuneration consultant was made on the recommendation of the Chair of the PRCC, each engagement was approved in advance by the PRCC, the reports containing the remuneration recommendations were addressed and sent to the Chair of the PRCC and/or the Chair of the QANTM board, and the KMP to whom the recommendations relate were not present during the PRCC sessions at which the remuneration recommendations were discussed and at which relevant decisions were made, and had no input into relevant discussions and decision-making.

DIRECTORS' REPORT
for the year ended 30 June 2020

8. Remuneration Report (Audited) (continued)

Non-Executive Director's Remuneration

Under the QANTM Constitution, the total amount of fees paid to all directors for their services (excluding for these purposes, the salary of an executive director) must not in any financial year exceed in aggregate \$850,000 or such higher maximum amount as is determined from time to time by the shareholders of the Company in general meeting. There has been no change in this aggregate fee limit during FY20. There is no performance remuneration for non-executive directors. The annual fees increased by 2% with effect from 1 September 2019, and the current annual fees are:

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

During FY20, in response to the COVID-19 pandemic, the directors resolved to decrease service fees for non-executive directors by 10% for a period of 6 months commencing from 1 May 2020.

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 are no retirement benefit schemes for directors, other than statutory superannuation contributions.

Details of non-executive director fees, inclusive of committee fees and superannuation, are summarised in the *Remuneration of KMP* table in this report.

Each of the non-executive directors holds shares in the Company, providing a direct alignment of interests with the performance of the QANTM business, and the interests of other shareholders. As of 2 August 2019, the Board has adopted a requirement that each non-executive director must hold (or have a benefit in) shares in the Company equivalent to at least one year's base fees for that director. Subject to any restrictions on dealing under the terms of the Company's Securities Dealing Policy, such holdings must be acquired over three years from 30 August 2019 (for existing non-executive directors) or from the date on which a director joins the board (for other non-executive directors).

Executive Remuneration Framework

Messrs Allen, Cherry, Wolnizer, Webber, Sears and Jordan were partners in the pre-IPO entities whose businesses were acquired in connection with QANTM's IPO, and have substantial equity ownership in the Company. This provides strong alignment between the interests of these KMP executives and other shareholders' interests. These executive KMP did not participate in short or long-term incentive plans for the initial three year period post-IPO, accepted a two-year restriction on trading their IPO share allocations and agreed in their initial employment contracts with the Group to remain employed by the Group for at least a three year period, expiring 31 August 2019.

These executives possess skills critical to the Company and a new remuneration package was agreed to align their remuneration beyond 31 August 2019 with market practice. For the year commencing 1 September 2019, these executive KMP received a retention payment of \$52,000 in consideration for an agreement to remain as employees of the relevant QANTM operating subsidiaries for a further minimum period of two years, and an increase in total fixed remuneration to \$348,000/annum (inclusive of superannuation). For the year commencing 1 September 2020, their total fixed remuneration will increase to \$400,000/annum (inclusive of superannuation). They also participated for FY20 and will participate in FY21, in a short term incentive program providing them with an opportunity to earn a bonus of up to approximately 36% per cent of their fixed remuneration, based on performance of the Group and relevant subsidiaries, and achievement of personal performance objectives. Mr Cherry has worked on a part-time basis, four days per week, from 1 July 2019 and in respect of Mr Cherry, the total fixed remuneration specified above will be reduced on a pro rata basis.

In light of the COVID-19 pandemic, the CEO and the CFO agreed to voluntary 10% salary reductions for a 6 month period commencing in May 2020. Messrs Cherry, Wolnizer, Sears, Jordan and Webber also agreed to voluntary salary reductions for a period of 4 months commencing in May 2020. Mr Chuah has also voluntarily assumed a pay reduction, which has varied between 5% - 10%, commencing in April 2020 and continuing to the date of this report, in combination with a temporary reduction of working hours.

DIRECTORS' REPORT
for the year ended 30 June 2020

8. Remuneration Report (Audited) (continued)

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.

Mr Dower commenced as CEO on 13 January 2020 on total fixed remuneration of \$650,000 per annum, equal to his predecessor as CEO, Mr Allen. The total fixed remuneration of the CFO, Mr Cleaver, increased to \$360,000 per annum, inclusive of superannuation, with effect from 1 July 2019.

Short Term Incentive (STI) Plan – FY20

During FY20, Messrs Dower, Cleaver, Wolnizer, Cherry, Jordan, Webber and Sears participated in an STI plan in accordance with the terms of their employment contracts.

STI results for the financial year are based on achieving Key Performance Indicators (KPIs) approved by the Board. All will again participate in an STI plan in accordance with their employment contracts with respect to FY21.

Mr Allen and Mr Chuah did not participate in an STI plan for FY20.

Long Term Incentive (LTI) Plan – FY20

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. These will vest in three tranches, on the business day after announcement of QANTM's half-year financial results in February 2021 (20%), 2022 (30%) and 2023 (50%) respectively. Vesting is subject to reasonable satisfaction of performance conditions to be determined by the board and subject to the terms of the QANTM Employee Incentive Plan established at QANTM's IPO in 2016 and re-approved by shareholders at QANTM's 2019 Annual General Meeting (the **Employee Incentive Plan**).

No other executive KMP participated in an LTI Plan in FY20.

Relationship between the Remuneration Policy and Group Performance

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

FY20 Executive Incentive Outcomes

Short Term Incentive (STI) Plan – Executive KMP

With respect to Mr Dower, the board approved an STI payment of \$81,250 with respect to performance in FY20. The following table provides details of the proportion of the STI that vested:

STI Opportunity	% Achieved	% Forfeited
25% of TFR	12.5%	12.5%

DIRECTORS' REPORT
for the year ended 30 June 2020

8. Remuneration Report (Audited) (continued)

FY20 Executive Incentive Outcomes (continued)

Mr Dower's STI payment was based on a combination of Company performance and achievement of individual KPIs based on financial outcomes and strategic initiatives. Although certain targets with respect to financial performance of the Company were not achieved, the board exercised a discretion to award 50% of the potential STI given the resilient financial performance of the Company through the COVID 19 pandemic. The maximum STI opportunity under his employment agreement (50% of TFR) was reduced to 25% to reflect commencement of employment mid-FY20.

With respect to Mr Cleaver, the board approved an STI payment of \$36,000. The following table provides details of the proportion of the STI that vested:

STI Opportunity	% Achieved	% Forfeited
20% of TFR	10% of TFR	10% of TFR

Mr Cleaver's STI payment was based on a combination of Company performance and achievement of individual KPIs based on financial outcomes and strategic initiatives.

With respect to Messrs, Wolnizer, Cherry, Jordan, Webber and Sears, the following STI payments were approved:

Name	STI Opportunity	% Achieved	% Forfeited
Mr James Cherry	35% of TFR	22%	13%
Mr Michael Wolnizer	35% of TFR	16%	19%
Mr David Webber	35% of TFR	10%	25%
Mr Adam Sears	35% of TFR	10%	25%
Mr Christopher Jordan	35% of TFR	10%	25%

These payments for Messrs Wolnizer, Cherry, Jordan, Webber and Sears were based on a combination of financial targets for the Company, and the individual businesses in which they work (FPA Patent Attorneys for Mr Cherry and Davies Collison Cave for Messrs, Wolnizer, Jordan, Webber and Sears), as well as individual KPIs with both financial and behavioural and leadership components.

Long Term Incentive (LTI) Plan

Apart from Mr Dower, who received an allocation of performance rights as detailed above, no other KMP received any benefits under an LTI plan in FY20.

DIRECTORS' REPORT
for the year ended 30 June 2020

8. Remuneration Report (Audited) (continued)

FY20 Executive Incentive Outcomes (continued)

Executive Remuneration Mix

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

	Fixed remuneration		Remuneration linked to performance	
	2020	2019	2020	2019
Executive Director				
Mr Leon Allen	100%	100%	0%	0%
Mr Craig Dower	78%	-	22%	-
Executive Officers				
Mr Martin Cleaver	91%	83%	9%	17%
Mr James Cherry	76%	100%	24%	0%
Mr Michael Wolnizer	85%	100%	15%	0%
Mr Jern Ern Chuah	100%	100%	0%	0%
Mr David Webber	90%	100%	10%	0%
Mr Adam Sears	90%	100%	10%	0%
Mr Christopher Jordan	91%	100%	9%	0%

Key terms of Employment Contracts

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

	Term	Base salary (excluding superannuation)	Notice period
Executive Director			
Mr Leon Allen	Minimum term of 3 years (31 Aug 2016 – 31 Aug 2019), retired with effect from 13 January 2020.	\$628,997	6 months
Mr Craig Dower	Commenced 13 January 2020, no minimum term	\$628,997	6 months
Executive Officers			
Mr Martin Cleaver	Commenced 30 August 2017, no minimum term	\$338,997	6 months
Mr James Cherry	2 years (31 Aug 2019 – 31 Aug 2021)	\$257,397 ¹	6 months
Mr Michael Wolnizer	2 years (31 Aug 2019 – 31 Aug 2021)	\$326,997 ²	6 months
Mr Jern Ern Chuah	3 years (1 July 2018 – 30 June 2021)	\$179,520 ³	6 months
Mr David Webber	2 years (31 Aug 2019 – 31 Aug 2021)	\$326,997 ⁴	6 months
Mr Adam Sears	2 years (31 Aug 2019 – 31 Aug 2021)	\$326,997 ⁵	6 months
Mr Christopher Jordan	2 years (31 Aug 2019 – 31 Aug 2021)	\$326,997 ⁶	6 months

¹ With effect from 1 September 2019

² With effect from 1 September 2019

³ With effect from 1 January 2020, exchange rate RM to AUD of 0.352

⁴ With effect from 1 September 2019

⁵ With effect from 1 September 2019

⁶ With effect from 1 September 2019

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT

for the year ended 30 June 2020

8. Remuneration Report (Audited) (continued)

Remuneration of KMP¹

	FY	Salary and fees \$	Cash bonus \$	Non-Monetary ² \$	Other \$	Superannuation \$	Long Service and other Leave \$	Share based payments \$	Total \$
Non-Executive Directors									
Mr Richard England	2020	200,000	-	-	-	-	-	-	200,000
	2019	193,333	-	-	-	-	-	-	193,333
Ms Abigail Cheadle	2020	120,000	-	-	-	-	-	-	120,000
	2019	116,000	-	-	-	-	-	-	116,000
Mr Cameron Judson	2020	120,000	-	-	-	-	-	-	120,000
	2019	116,000	-	-	-	-	-	-	116,000
Ms Sonia Petering	2020	120,000	-	-	-	-	-	-	120,000
	2019	116,000	-	-	-	-	-	-	116,000
Executive Directors									
Mr Leon Allen	2020	358,312	-	4,407	198,937 ³	14,641	-	-	576,297
	2019	550,133	-	11,472	-	20,531	80,041	-	662,177
Mr Craig Dower	2020	274,891	73,531	3,800	-	18,220	4,884	90,042 ⁴	465,368
	2019	-	-	-	-	-	-	-	-
Executive Officers									
Mr Martin Cleaver	2020	331,537	32,580	-	54,533 ⁵	27,733	6,692	-	453,076
	2019	305,469	59,543	-	108,667 ⁵	20,531	5,117	-	499,327
Mr James Cherry	2020	141,703	43,472	5,104	10,785 ⁶	14,194	6,910	-	222,168
	2019	238,776	-	14,728	-	20,531	4,387	-	278,422
Mr Michael Wolnizer	2020	191,444	31,172	5,104	10,785 ⁶	14,194	7,520	-	260,218
	2019	238,212	-	11,472	-	19,544	5,933	-	275,161
Mr Jern Ern Chuah	2020	54,299	-	203	1,870,563 ⁷	5,989	-	-	1,931,055
	2019	51,874	-	1,574	3,067,000 ⁷	18,420	-	-	3,138,868

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT

for the year ended 30 June 2020

8. Remuneration Report (Audited) (continued)

Remuneration of KMP (continued)

Remuneration of KMP¹

	FY	Salary and fees \$	Cash bonus \$	Non-Monetary ² \$	Other \$	Superannuation \$	Long Service and other Leave \$	Share based payments \$	Total \$
Mr David Webber	2020	181,967	19,915	5,104	10,785 ⁶	14,194	7,520	-	239,485
	2019	237,999	-	11,472	-	20,642	7,289	-	277,402
Mr Adam Sears	2020	192,171	19,915	5,104	10,785 ⁶	14,194	7,520	-	249,688
	2019	238,000	-	11,472	-	20,426	4,842	-	274,740
Mr Christopher Jordan	2020	197,699	19,915	5,104	10,785 ⁶	14,194	9,383	-	257,079
	2019	233,744	-	11,472	-	24,363	5,108	-	274,687

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT

for the year ended 30 June 2020

8. Remuneration Report (Audited) (continued)

Remuneration of KMP (continued)

Explanatory notes to the table on the preceding page:

1. On an accruals, rather than cash, basis.
2. Relates to car parking, and, for Mr Chuah only, medical insurance.
3. Mr Allen waived his right to continue to be paid his salary during a 6 month post-employment restraint period. Mr Allen received a \$135,578 payment in lieu of approximately 11 weeks' of his entitlement to 6 months' notice of termination, and \$63,360 for consulting services provided after cessation of employment, including with respect to merger and acquisition activity.
4. Mr Dower received an allocation of 295,050 performance rights, as detailed above in the section headed *Long Term Incentive (LTI) Plan – FY20*.
5. Mr Cleaver was offered the opportunity to participate in a retention plan in October 2018, to secure his ongoing service while QANTM was negotiating two potential alternative merger transactions, with IPH Limited and Xenith IP Group Ltd. Mr Cleaver received a cash payment of \$163,200 in October 2019 pursuant to that retention plan. An accrual of \$108,667 was made as at 30 June 2019.
6. Messrs Cherry, Wolnizer, Webber, Jordan and Sears each received a \$52,000 retention payment to secure their services for a two year period commencing on 1 September 2019.
7. Mr Chuah received \$3,067,000 in FY19 and \$1,860,000 in FY20 as deferred purchase price instalments in connection with QANTM's 2018 acquisition of Advanz Fidelis IP Sdn Bhd.

No KMP appointed during the period received a payment as part of their consideration for agreeing to hold the position.

Bonuses and share-based payments granted as compensation for FY20

Cash bonuses

The table above notes the cash bonuses awarded to KMP with respect to performance in FY20. In October 2018, Mr Cleaver was also offered the opportunity to participate in a retention plan, to secure his ongoing service while QANTM was negotiating two potential alternative merger transactions, with IPH Limited and Xenith IP Group Ltd. Mr Cleaver received a cash retention payment equal to \$163,200 in October 2019, having satisfied conditions including that he remained employed and had not given notice of termination of employment as at that date.

Employee retention rights plan

The Company has in previous years had in place a retention rights plan to assist with the retention of KMP who are not associated with the pre-IPO owners, which involved the issue of retention rights capable of conversion into a fully paid share after a two-year vesting period. At the end of FY20, there were no current KMP participants in the retention rights plan.

During FY20, apart from the performance rights granted to the CEO, there were no share-based payments granted as compensation to KMPs and no performance share rights held by KMP were exercised or forfeited, or expired.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT

for the year ended 30 June 2020

8. Remuneration Report (Audited) (continued)

KMP equity holdings

The number of shares in the Company held at the beginning and end of FY20 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 2019	Granted as compensation during the year	Received on exercise of rights during the year	Other changes during the year	Balance at 30 June 2020
Name	Number of ordinary shares	Number of ordinary shares	Number of ordinary shares	Number of ordinary shares	Number of ordinary shares
Mr Richard England	135,134	-	-	-	135,134
Ms Abigail Cheadle	45,045	-	-	-	45,045
Mr Cameron Judson	45,044	-	-	-	45,044
Ms Sonia Petering	45,044	-	-	-	45,044
Mr Leon Allen	2,037,227	-	-	-	2,037,227
Mr Craig Dower	0	-	-	-	0
Mr Martin Cleaver	6,000	-	-	-	6,000 ²
Mr James Cherry	2,034,356	-	-	(255,510)	1,778,846 ²
Mr Michael Wolnizer	2,045,928	-	-	-	2,045,928 ²
Mr Jern Chuah	273,612	-	-	-	273,612 ²
Mr David Webber	2,046,236	-	-	-	2,046,236 ²
Mr Adam Sears	2,061,693	-	-	-	2,061,693 ²
Mr Christopher Jordan ¹	2,047,226	-	-	-	2,047,226 ²

Explanatory notes to the table above:

- 1 Mr Dower received an allocation of 295,050 performance rights, which are subject to vesting conditions as detailed above in the section headed *Long Term Incentive (LTI) Plan – FY20*.
- 2 These were also the numbers of ordinary shares held when these executives ceased as KMP with effect from 13 February 2020.

9. Dividends paid or recommended

The following dividends were paid or declared during the period:

A final fully franked ordinary dividend of 4.8 cents per share was paid on 3 October 2019: \$ 6,386,000.

An interim fully franked ordinary dividend of 3.3 cents per share was paid on 26 March 2020: \$ 4,391,000.

In respect of the year ended 30 June 2020, the directors resolved to approve a fully franked final dividend of 3.8 cents per share. The record date will be 3 September 2020 and the dividend is scheduled to be paid on 1 October 2020. As such the dividend has not been included as a liability in these financial statements. The total dividend to be paid is \$5.1 million (2019: \$6.4 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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT

for the year ended 30 June 2020

11.Future developments and results

A summary of the business strategy, results outlook and priorities is provided at item 6 of this Directors report.

12.Environmental issues

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

13.Proceedings on behalf of the Company

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

14.Rounding of amounts

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

15.Indemnification and insurance of officers and auditors

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

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

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

16.Non-audit services

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

17.Auditor's independence declaration

The auditor's independence declaration, in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2020, has been received and can be found on page 29 of the financial report.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

DIRECTORS' REPORT
for the year ended 30 June 2020

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 (Third Edition) (the Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed and provides reasons for not following such Recommendations (Corporate Governance Statement).

The Corporate Governance Statement approved by the board will be lodged together with an Appendix 4G at the same time or prior to the lodgement of the Company's Annual Report with the ASX.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



Chairman:
Richard England

Dated this 27th day of August 2020

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

27 August 2020

Dear Board Members

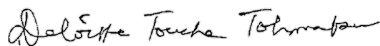
Auditor's Independence Declaration to QANTM Intellectual Property Limited

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.

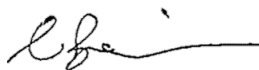
As lead audit partner for the audit of the financial report of QANTM Intellectual Property Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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 sincerely



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountant

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2020

		2020 \$'000	2019 \$'000
	Note		
Service Charges		90,275	86,504
Associate Charges		26,293	25,666
Total Revenue from Contracts with Customers	3(a)	116,568	112,170
Other income	3(b)	2,116	4,465
Employee benefits expenses:			
- ordinary		(54,242)	(49,053)
- related to business acquisition		(1,860)	(3,070)
Recoverable expenses		(24,660)	(23,891)
Occupancy expenses	4	(2,040)	(6,874)
Business acquisition expenses		(1,402)	(2,096)
Other expenses	4	(11,867)	(11,702)
Earnings before depreciation and amortisation, finance costs and income tax		22,613	19,949
Depreciation and amortisation		(6,760)	(2,275)
Earnings before finance costs and income tax		15,853	17,674
Finance costs		(1,535)	(961)
Profit before income tax		14,318	16,713
Income tax expense	5	(4,941)	(5,507)
Net profit for the year		9,377	11,206
Other comprehensive income/(loss), net of income tax			
Exchange differences on translating foreign operations		(103)	-
Total comprehensive income for the year		9,274	11,206
Net profit attributable to:			
Members of the parent entity		9,563	11,206
Non-controlling interests		(186)	-
		9,377	11,206
Total comprehensive income attributable to:			
Members of the parent entity		9,460	11,206
Non-controlling interests		(186)	-
		9,274	11,206
Earnings per share			
Basic earnings per share (cents)	21	7.18	8.42
Diluted earnings per share (cents)	21	7.17	8.42

The accompanying notes form part of these financial statements.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Consolidated Statement of Financial Position

As At 30 June 2020

		2020 \$'000	2019 \$'000
	Note		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	6,163	1,181
Trade and other receivables	7	33,724	31,992
Other assets	8	1,717	1,489
Total current assets		41,604	34,662
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,404	2,530
Right-of-use assets	10	15,772	-
Intangible assets	11	75,666	69,851
Total non-current assets		93,842	72,381
TOTAL ASSETS		135,446	107,043
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	11,217	9,537
Provisions	13	6,510	8,038
Borrowings	14	2,447	133
Lease liability	15	4,306	-
Other financial liabilities	16	690	39
Current income tax liabilities		990	2,340
Total current liabilities		26,160	20,087
NON-CURRENT LIABILITIES			
Provisions	13	289	3,073
Borrowings	14	21,121	12,187
Lease liability	15	13,634	-
Other financial liabilities	16	575	-
Deferred tax liabilities	17	2,473	1,115
Total non-current liabilities		38,092	16,375
TOTAL LIABILITIES		64,252	36,462
NET ASSETS		71,194	70,581
EQUITY			
Issued capital	18	295,510	294,075
Reserves	19	(222,278)	(222,856)
Non-controlling interest		(186)	-
Accumulated losses		(1,852)	(638)
TOTAL EQUITY		71,194	70,581

The accompanying notes form part of these financial statements.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Consolidated Statement of Changes in Equity For the Year Ended 30 June 2020

2019

	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
Balance at 1 July 2018	293,798	(222,856)	-	244	-	-	(1,466)	69,720
Profit attributable to members of the parent entity	-	-	-	-	-	-	11,206	11,206
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	11,206	11,206
Transactions with owners in their capacity as owners								
Employee share schemes	-	-	-	33	-	-	-	33
Dividends paid	-	-	-	-	-	-	(10,378)	(10,378)
Transfer from share based payment reserve on exercise of retention rights	277	-	-	(277)	-	-	-	-
Balance at 30 June 2019	294,075	(222,856)	-	-	-	-	(638)	70,581

2020

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

The accompanying notes form part of these financial statements.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Consolidated Statement of Cash Flows For the Year Ended 30 June 2020

		2020 \$'000	2019 \$'000
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		122,237	117,195
Scheme break free		-	1,600
Payments to suppliers and employees		(97,319)	(93,319)
Business acquisition related remuneration		(2,811)	(2,072)
Interest and costs of finance paid		(769)	(961)
Income tax paid		(6,254)	(7,802)
Net cash generated from operating activities	32(a)	15,084	14,641
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for purchase of property, plant and equipment	9	(1,065)	(649)
Purchase of intangible assets	11	(128)	(1,131)
Payments to acquire investments	27	(2,665)	(3,050)
Business acquisition related costs		(1,402)	(2,096)
Net cash used in investing activities		(5,260)	(6,926)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from bank borrowings		19,248	18,072
Repayment of bank borrowings		(8,000)	(17,227)
Payment of lease liabilities		(5,347)	-
Dividends paid		(10,777)	(10,378)
Net cash used in financing activities	32(b)	(4,876)	(9,533)
Net increase/(decrease) in cash and cash equivalents		4,948	(1,818)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(34)	(94)
Cash and cash equivalents at beginning of year		1,181	3,093
Cash and cash equivalents at end of year	6	6,163	1,181

The accompanying notes form part of these financial statements.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

General Information

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

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

Statement of Compliance

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

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

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

Basis of Preparation

The financial statements have been prepared on an accruals and historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. The financial statements are presented in Australian dollars (unless otherwise noted), which is QANTM's functional and presentation currency.

New Standards Adopted as at 1 July 2019

AASB 16 Leases

This note describes the nature and effect of the adoption of AASB 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

The Group has elected to apply the modified retrospective approach to its lease contracts. For these leases, which were classified as operating leases under AASB 117 *Leases*, the Group has recognised right-of-use assets and lease liabilities as at the transition date (1 July 2019). In determining the fair value of the remaining lease payments at the date of transition, the Group used the incremental borrowing rate. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4%. Comparative information has not been restated.

At inception of a contract, the Group assesses if the contract contains a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expenses on a straight-line basis over the term of the lease.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

New Standards Adopted as at 1 July 2019 (continued)

AASB 16 Leases (continued)

The following table shows the operating lease commitments disclosed in applying AASB 117 *Leases* at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application of the lease liabilities recognised in the condensed consolidated statement of financial position at the date of initial application:

	\$'000
Gross operating lease commitments at 30 June 2019	28,377
Less lease incentives at 30 June 2019	(2,473)
Less short-term and low value assets	(30)
Less the effect of discounting the lease commitments at 30 June 2019	(4,358)
Add finance lease liabilities recognised under AASB 117 on 30 June 2019	248
Lease liabilities recognised at 1 July 2019	21,764

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

(a) Group Reorganisation Reserve

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

(b) Principles of Consolidation

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

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

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

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(c) Business Combinations

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 assumed is recognised (subject to certain limited exemptions).

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

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

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

Goodwill

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

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

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

Fair value re-measurements 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.

Goodwill on acquisition of subsidiaries is included in intangible assets.

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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(d) Revenue Recognition

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

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

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

The Group generate revenue by providing services associated with the creation, protection, commercialisation, enforcement and management of intellectual property (IP) rights. Total Revenue from Contracts with Customers comprises Service Charges and Associate Charges.

Service Charges

Service Charge revenue is earned by providing professional services to clients for ongoing protection of intellectual property.

Service Charge revenue received from the filing of patent or trademark with IP Australia, examination, advisory, grant and maintenance/renewal services have performance obligations that are satisfied at a point in time. Upon completion of these performance obligations, the Group is entitled to payment for services performed.

Service Charge revenue received from examination responses, litigation and advisory services have performance obligations that are satisfied over time. Upon completion of these performance obligations, the Group is entitled to payment for services performed.

Revenue arising from services that relate to performance obligations satisfied over time are recognised on a progressive basis using the input method. The input method is used by assessing the time and costs incurred on an engagement.

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

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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(e) Earnings Per Share

Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of QANTM, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(f) Recoverable Expenses

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

(g) Fair Value of Assets and Liabilities

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

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

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 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:

- 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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(h) Foreign currency transactions and balances

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

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

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

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

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

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

(i) Income Tax

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

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

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

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

Current Tax

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

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(i) Income Tax (continued)

Deferred Tax

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

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

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

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

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

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

Current and Deferred Tax for the Period

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

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

Deferred Tax Measurement Relating to Indefinite Life Intangible Assets

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

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(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.

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).

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(k) Financial Instruments (continued)

Financial liabilities (continued)

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

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial Assets

Financial assets are subsequently measured at:

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

Measurement is on the basis of two primary criteria:

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

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

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

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

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

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

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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(k) Financial Instruments (continued)

Derecognition

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

Derecognition of Financial Liabilities

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

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

Derecognition of Financial Assets

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

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

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

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

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to 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.

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

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(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.

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.

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

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

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

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

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.

(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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(m) Intangibles (continued)

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.

(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).

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(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.

(p) Leases

Applicable from 1 July 2019

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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(p) Leases (continued)

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

Right-of-use assets are depreciated 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 depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

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

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

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

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(p) Leases (continued)

Applicable prior to 1 July 2019

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.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leases are classified as either operating lease or finance lease based on the transfer of significant risks and rewards of ownership.

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.

(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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

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

(r) Goods and Services Tax (GST)

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

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

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

(s) Share Based Payments

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

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

(t) Borrowing Costs

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

(u) Share Capital

Ordinary shares are classified as equity.

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

(v) Dividends

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

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(w) Rounding of Amounts

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

(x) Critical Accounting Estimates and Judgements

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

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

Key Judgement and Sources of Estimation Uncertainty

Goodwill and Other Indefinite Life Intangible Assets

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

Lease term and option to extend under AASB 16

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

Acquisition of Cotters Patent and Trade Mark Attorneys

On the 22 May 2020, the Company acquired Cotters Patent and Trade Mark Attorneys for a total purchase consideration of \$5.35 million payable in instalments over two years. 35% of the each of the three instalments is payable by way of the issue of QANTM shares. The Company has paid the first instalment in the current year of \$2.665 million in cash and \$1.435 million in shares. The purchase price accounting involves judgment and complexity in the purchase price allocation, including determining the fair values of the acquired assets and liabilities.

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. Further detail in respect of the impact of operations of the Group is discussed in detail in the Operational and Financial Review of the Directors' Report.

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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

1 Statement of Significant Accounting Policies (continued)

(y) Accounting Standards Issued But Not Yet Effective

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. These new and amended pronouncements are considered to have a limited impact on the Group's reporting.

- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*.
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*.
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*.
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*.
- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*
- AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.
- AASB 2020-3: *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

2 Segment Information

Basis for segmentation

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

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

	AUSTRALIA		ASIA		TOTAL	
Full-year ended	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Service Charges	84,346	81,534	5,929	4,970	90,275	86,504
Associate Charges	24,104	24,577	2,189	1,089	26,293	25,666
Total Revenue	108,450	106,111	8,118	6,059	116,568	112,170
Other Income	2,066	2,749	50	116	2,116	2,865
Recoverable Expenses	(22,478)	(22,806)	(2,182)	(1,085)	(24,660)	(23,891)
Net Revenue	88,038	86,054	5,986	5,090	94,024	91,144
Overheads	(67,236)	(63,088)	(4,631)	(4,041)	(71,867)	(67,129)
Earnings Before Interest, Tax, Depreciation and Amortisation	20,802	22,966	1,355	1,049	22,157	24,015
Depreciation	(509)	(805)	(154)	(116)	(663)	(921)
Amortisation	(1,309)	(1,165)	(191)	(189)	(1,500)	(1,354)
Segment profit before finance costs and income tax	18,984	20,996	1,010	744	19,994	21,740
Adjustments to reconcile to statutory profit						
Unallocated adjustments					(4,141)	(4,086)
Statutory profit/(loss) before finance costs and income tax					15,853	17,674
Finance costs – Interest					(1,535)	(961)
Profit for the period before income tax					14,318	16,713

Major customers

No single customer contributed 10 per cent or more of the Group's revenue during either the year-ended 30 June 2020 or 30 June 2019.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

3(a) Revenue from Contracts Contract

Disaggregated revenue

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

	2020 \$'000	2019 \$'000
Geographical markets		
Australia	108,450	106,111
Asia	8,118	6,059
	116,568	112,170
Service Lines		
Service Charges	90,275	86,504
Associate Charges	26,293	25,666
	116,568	112,170
Timing of revenue recognition		
At a point in time	66,977	60,426
Over time	49,591	51,744
	116,568	112,170
3(b) Other income		
Foreign exchange gains	-	796
Other income	2,116	3,669
	2,116	4,465

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

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

		2020 \$'000	2019 \$'000
	Note		
4 Expenses			
The result for the year includes the following specific expenses:			
Operating lease expenses			
The movement in occupancy expense can be attributed to the adoption of AASB 16 <i>Leases</i> . The residual balance at 30 June 2020 represents variable occupancy expenses such as lease outgoings, cleaning, parking and license fees.			
		<u>2,040</u>	6,018
Other expenses			
- Travel and entertainment		1,704	3,055
- Technology costs		3,666	3,488
- Marketing		986	1,226
- Foreign exchange loss		811	-
- Other expenses		4,700	3,933
		<u>11,867</u>	<u>11,702</u>
5 Income Tax Expense			
(a) The major components of tax expense comprise:			
Current tax expense		5,301	6,507
Deferred tax expense	5(b)	125	(1,505)
Under/over provision from previous years		(485)	505
Income tax expense	5(c)	<u>4,941</u>	<u>5,507</u>

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
Note		
5 Income Tax Expense (continued)		
(b) Deferred income tax expense included in income tax expense comprises:		
(Increase) / decrease in deferred tax asset	(4,072)	(929)
(Increase) / decrease in deferred tax liability	4,197	(576)
	<u>125</u>	<u>(1,505)</u>
(c) Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax	14,318	16,713
Income tax expenses calculated at 30%	4,295	5,014
Tax effect of differential corporate tax rate	(83)	(15)
Add tax effect of:		
- Non-deductible expenses	684	924
- Other	45	64
Less tax effect of:		
- Non-assessable income	-	(480)
Income tax expense	<u>4,941</u>	<u>5,507</u>
The applicable weighted average effective tax rates are as follows:	35%	33%
(d) Unrecognised deferred tax asset:		
The amount of deductible temporary differences and unused capital tax losses for which no deferred tax asset has been recognised.		
Potential tax benefit at 30 per cent (2019: 30 per cent)	16,062	16,062
Deferred tax assets have not been recognised to the extent that it is not probable that taxable profit will be available against which the losses can be utilised.		
6 Cash and Cash Equivalents		
Cash on hand	10	10
Cash at bank	6,153	1,171
	<u>6,163</u>	<u>1,181</u>

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

		2020 \$'000	2019 \$'000
	Note		
7 Trade and Other Receivables			
CURRENT			
Trade receivables	7(a)	33,368	32,101
Less: Provision for impairment of trade receivables	7(b)	(752)	(568)
		<u>32,616</u>	<u>31,533</u>
Other receivables		<u>1,108</u>	<u>459</u>
Total current trade and other receivables		<u>33,724</u>	<u>31,992</u>
(a) Aged analysis			
The ageing analysis of current trade receivables is as follows:			
0-30 days		15,452	13,666
31-60 days		5,861	7,720
61-90 days (past due not impaired)		3,885	3,943
91+ days (past due not impaired)		7,418	6,204
91+ days (past due and impaired)		752	568
		<u>33,368</u>	<u>32,101</u>
(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		568	615
Additional provisions recognised		701	625
Receivables written off during the year as uncollectable		(517)	(672)
Balance at end of the year		<u>752</u>	<u>568</u>
8 Other assets			
CURRENT			
Prepayments		<u>1,717</u>	<u>1,489</u>

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
9 Property, plant and equipment		
Leasehold improvements		
At cost	2,076	2,072
Accumulated depreciation	(1,981)	(1,904)
Net carrying value of leasehold improvements	95	168
Office equipment		
At cost	4,728	3,503
Accumulated depreciation	(2,419)	(1,685)
Net carrying value office equipment	2,309	1,818
Assets under finance		
At cost	-	1,395
Accumulated depreciation	-	(851)
Net carrying value of assets under finance	-	544
Total property, plant and equipment	2,404	2,530

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Note			
		Leasehold Improvements \$'000	Office Equipment \$'000	Assets under finance \$'000
2019				
Opening balance at 1 July 2018		205	1,623	835
Additions at cost		85	564	-
Additions through business combinations		-	139	-
Disposals - written down value		-	-	-
Depreciation expense		(122)	(508)	(291)
Closing balance at 30 June 2019		168	1,818	544
2020				
Opening balance at 1 July 2019		168	1,818	544
Additions at cost		4	1,061	-
Additions through business combinations	27	-	16	-
Transfer to right-of-use assets	10	-	-	(544)
Disposals - written down value		-	-	-
Depreciation expense		(77)	(586)	-
Closing balance at 30 June 2020		95	2,309	-

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
Note		
10 Right-of-use asset		
Leased buildings		
Right-of-use asset	19,825	-
Accumulated amortisation	(4,322)	-
	15,503	-
Leased motor vehicles		
Right-of-use asset	544	-
Accumulated amortisation	(275)	-
Net carrying value of client relationships	269	-
Total Right-of-use asset	15,772	-

(a) Movements in carrying amounts of intangible assets

	Leased buildings \$'000	Lease motor vehicles \$'000	Total \$'000
2020			
Recognised on initial application of AASB 16 (previously classified as operating leases / finance lease under AASB 117)	19,468	544	20,012
Foreign currency translation adjustment to opening balance	(71)	-	(71)
Additions	428	-	428
Amortisation	(4,322)	(275)	(4,597)
Net carrying amount	15,503	269	15,772

The Group leases several buildings. The average lease term is 6 years, with a remaining average lease term of 3 years. The right-of-use asset addition of \$428,000 is from the acquisition of Cotters Patent and Trade Mark Attorneys.

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

AASB 16 related amounts recognised in the statement of profit or loss

	2020 \$'000	2019 \$'000
Amortisation charge related to right-of-use assets	(4,597)	-
Interest expense on lease liabilities (under finance costs)	(766)	-
Short-term lease expenses	(30)	-
Total expenses recognised in the statement of profit or loss	(5,393)	-

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

		2020 \$'000	2019 \$'000
11 Intangible Assets	Note		
Goodwill			
Balance at beginning of period		45,836	45,836
Acquisitions through business combinations	27	2,957	-
Accumulated impairment losses		-	-
Net carrying value of goodwill		<u>48,793</u>	<u>45,836</u>
Brand names			
Balance at beginning of period		3,518	2,700
Acquisitions through business combinations	27	1,003	818
Accumulated impairment losses		-	-
Net carrying value of brand names		<u>4,521</u>	<u>3,518</u>
Client relationships			
Balance at beginning of period		22,101	19,300
Acquisitions through business combinations	27	3,227	2,801
Accumulated amortisation bought forward		(2,933)	(1,797)
Amortisation charge for the period		<u>(1,141)</u>	<u>(1,136)</u>
Net carrying value of client relationships		<u>21,254</u>	<u>19,168</u>
Software			
Balance at beginning of period		1,603	311
Additions at cost		128	1,131
Acquisitions through business combinations		-	161
Accumulated amortisation bought forward		(274)	(56)
Amortisation charge for the period		<u>(359)</u>	<u>(218)</u>
Net carrying value of software		<u>1,098</u>	<u>1,329</u>
Total Intangibles		<u><u>75,666</u></u>	<u><u>69,851</u></u>

(a) Movements in carrying amounts of intangible assets

	Note	Goodwill \$'000	Brand Name \$'000	Client Relationship \$'000	Software \$'000	Total \$'000
2019						
Opening balance at 1 July 2018		45,836	2,700	17,503	255	66,294
Additions		-	-	-	1,131	1,131
Additions through business combinations		-	818	2,801	161	3,780
Amortisation		-	-	(1,136)	(218)	(1,354)
Closing balance at 30 June 2019		<u>45,836</u>	<u>3,518</u>	<u>19,168</u>	<u>1,329</u>	<u>69,851</u>
2020						
Opening balance at 1 July 2019		45,836	3,518	19,168	1,329	69,851
Additions		-	-	-	128	128
Additions through business combinations		2,957	1,003	3,227	-	7,187
Amortisation		-	-	(1,141)	(359)	(1,500)
Closing balance at 30 June 2020		<u>48,793</u>	<u>4,521</u>	<u>21,254</u>	<u>1,098</u>	<u>75,666</u>

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

11 Intangible Assets (continued)

(b) Cash-Generating Unit

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

	2020 \$'000	2019 \$'000
FPA		
Goodwill	45,836	45,836
Brand names	2,700	2,700
Customer relationships (at amortised cost)	15,576	16,541
Software (at amortised cost)	295	472
	64,407	65,549
AFIP		
Brand names	818	818
Customer relationships (at amortised cost)	2,451	2,627
Software (at amortised cost)	131	146
	3,400	3,591
Cotters		
Goodwill	2,957	-
Brand names	1,003	-
Customer relationships (at amortised cost)	3,227	-
	7,187	-

(c) Impairment Testing

In accordance with the Group's accounting policies, the Group performs its impairment testing at least annually for intangible assets with indefinite useful lives. More frequent reviews are performed for indications of impairment of all the Group's assets including customer relationships and operating assets.

In accordance with the Group's accounting policies, the Group has evaluated whether the recoverable amounts of the FPA and AFIP 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-19 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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

11 Intangible Assets (continued)

(c) Impairment Testing (continued)

Key Assumptions

FPA

The recoverable amount of the FPA CGU is based on a VIU calculation which projects future cash flows over a five year period with the period beyond five years extrapolated using an estimated growth rate. The cash flows are discounted at an appropriate rate to derive the recoverable amount. The following key assumptions were used:

- revenue to decrease by 5.0 per cent for FY2021, increase by 4.0 per cent from FY2022 to FY2024 and increase by 3.5 per cent for FY2025;
- overhead costs based on inflationary impacts offset by ongoing cost efficiencies;
- in the period beyond 5 years a long-term growth rate of 2.5%; and
- post-tax discount rate of 11.0 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 2020.

Based on the recoverable amount of the FPA CGU exceeding its aggregate carrying amount at 30 June 2020 there was no impairment charge.

Impact of possible change in key assumptions

The impairment charge that would result in the FPA CGU as a result of the following changes in assumptions:

- Holding all assumptions constant, if the discount rate increased by 0.5% would be \$3.1 million
- Holding all assumptions constant, if the terminal rate declined by 0.5% would be \$2.2 million

AFIP

The recoverable amount of the AFIP CGU is based on a VIU calculation which projects future cash flows over a five year period with the period beyond five years extrapolated using an estimated growth rate. The cash flows are discounted at an appropriate rate to derive the recoverable amount. The following key assumptions were used:

- revenue to decrease 17.5 per cent for FY2021, growth of 10.0 per cent from FY2022 to FY2023, and 3.5 per cent from FY2024 to FY2025;
- overhead costs based on inflationary impacts offset by ongoing cost efficiencies; and
- post-tax discount rate of 15 per cent.

The assumptions are based on the Group's forecast operating and financial performance of AFIP reflecting prior performance, current growth rate achieved and the historic growth of patent applications in Malaysia. The discount rate is derived from the Group's weighted average cost of capital, adjusted for varying risk profiles. The key assumptions used in the VIU calculations represent management's best estimate at 30 June 2020.

Based on the recoverable amount of the AFIP CGU exceeding its aggregate carrying amount at 30 June 2020 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.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
12 Trade and Other Payables		
CURRENT		
Trade payables	5,714	5,243
GST payable	132	123
Other payables and accruals	5,371	4,171
Total current trade and other payables	11,217	9,537

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	6,510	7,850
Lease incentive provisions	-	188
Total current provisions	6,510	8,038
NON-CURRENT		
Employee benefits	289	788
Lease incentive provisions	-	2,285
Total non-current provisions	289	3,073

(a) Movement in Carrying Amounts

	Employee Benefits \$'000	Lease Incentive Provisions \$'000	Total \$'000
Opening balance at 1 July 2018	6,640	2,562	9,202
Additional provisions	4,649	-	4,649
Provisions used	(2,651)	(89)	(2,740)
Closing balance at 30 June 2019	8,638	2,473	11,111
Opening balance at 1 July 2019	8,638	2,473	11,111
Additional provisions	1,330	-	1,330
Provisions used	(3,169)	-	(3,169)
Transfer to right-of-use asset ¹	-	(2,473)	(2,473)
Closing balance at 30 June 2020	6,799	-	6,799

¹ Per AASB 16 Leases the right-of-use assets is at the initial measurement of the corresponding lease liability less any incentives and initial direct costs, previously recognised under AASB 117 Leases.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

		2020 \$'000	2019 \$'000
14 Borrowings	Note		
CURRENT			
Bank loans	14(b)	2,447	-
Finance leases ¹		-	133
Total current borrowings		2,447	133
NON-CURRENT			
Bank loans	14(b)	21,121	12,072
Finance leases ¹		-	115
Total non-current borrowings		21,121	12,187
Total borrowings		23,568	12,320

¹Finance lease balance of \$248,000 at 30 June 2019 was required to be reclassified to lease liabilities on adoption of AASB 16 Leases at 1 July 2019.

(a) Total Current and Non-Current Secured Borrowings			
Bank loans		23,568	12,072
Leases		-	248
		23,568	12,320

(b) Summary of Borrowing Arrangements

The Company's banking facilities with ANZ consist of:

- \$25 million revolving overdraft sub-facility and cash advance sub-facility (Facility A);
- \$4.5 million asset finance facility (Facility B); and
- \$8.8 million acquisition facility (Facility C).

Together, these facilities are referred to as the Banking Facilities.

The facilities have a maturity date of 31 July 2021. 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 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 leverage ratio, fixed charge cover ratio, working capital ratio and debt/debt + equity ratio. The Company has operated within these covenants during the period.

	2020 \$'000	2019 \$'000
Amount unutilised	14,732	47,180
Amount utilised ²	23,568	12,320
	38,300	59,500

²Borrowings utilised at 30 June 2020 of \$23,568,000 excludes \$132,000, which forms part of the lease liability balance per note 15.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

14 Borrowings (continued)

The Company has received an acceptable credit approved term sheet with respect to proposed new banking facilities. The new facilities will amount to a \$25 million revolving facility and a \$35 million acquisition facility, both for a 3 year term.

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

	2020 \$'000	2019 \$'000
15 Lease liability		
Maturity analysis:		
Year 1	4,814	-
Year 2	5,050	-
Year 3	3,538	-
Year 4	2,361	-
Year 5	2,442	-
Onwards	1,442	-
	19,647	-
Less: interest payable	(1,707)	-
	17,940	-
Analysed as:		
Current	4,306	-
Non-current	13,634	-
	17,940	-
The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.		

16 Other Financial Liabilities

CURRENT

Forward exchange contracts	24	49	39
Deferred consideration	27	641	-
		690	39

NON-CURRENT

Deferred consideration	27	575	-
Total Other Financial Liabilities		1,265	39

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

17 Deferred Income Tax

	Opening Balance	Recognised in Profit or Loss	Transfer from adoption of AASB 16 Leases	Business Acquisition	Closing Balance
2019	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred Tax Asset					
Black hole expenses	1,592	(138)	-	-	1,454
Other assets	11	(99)	-	-	(88)
Trade Payables	206	678	-	-	884
Provisions	2,907	488	-	-	3,395
	4,716	929	-	-	5,645
Deferred Tax Liability					
Trade receivables	(131)	6	-	-	(125)
Other assets	(72)	58	-	-	(14)
Property, plant and equipment	(98)	65	-	-	(33)
Intangible assets	(6,061)	(380)	-	(869)	(6,550)
Trade payables	(105)	67	-	-	(38)
	(6,467)	576	-	(869)	(6,760)
Net deferred tax	(1,751)	1,505	-	(869)	(1,115)
2020					
Deferred Tax Asset					
Black hole expenses	1,454	(576)	-	-	878
Trade payables	884	(142)	-	-	742
Provisions	3,395	134	(742)	-	2,787
Lease liability	-	5,382	-	-	5,382
Unused tax losses	-	218	-	-	218
	5,733	5,016	(742)	-	10,007
Deferred Tax Liability					
Trade receivables	(125)	82	-	-	(43)
Other assets	(102)	(141)	-	-	(243)
Property, plant and equipment	(33)	72	-	-	39
Right-of-use asset	-	(5,474)	742	-	(4,732)
Intangible assets	(6,550)	280	-	(1,233)	(7,503)
Trade payables	(38)	40	-	-	2
	(6,848)	(5,141)	742	(1,233)	(12,480)
Net deferred tax	(1,115)	(125)	-	(1,233)	(2,473)

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

18 Issued Capital

	2020 \$'000	2019 \$'000
Fully Paid Ordinary Shares	295,510	294,075

The \$1,435,000 increase in capital is from the acquisition of Cotters Patent and Trade Mark Attorneys in May 2020.

(a) Ordinary Shares

	2020 No.	2019 No.
At the beginning of the reporting period	133,050,724	132,900,281
Shares issued during the year:		
Issue for business acquisition	1,247,828	-
Employee Share Schemes	-	150,443
At the end of the reporting period	134,298,552	133,050,724

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote. The Company does not have authorised capital or par value in respect of its shares.

(b) Employee Share Schemes

150,443 employee shares were issued in the prior year due to the exercise of employee retention rights.

(c) Capital Management

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

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. Other than its banking covenants, the Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
19 Reserves			
Share based payment reserve			
Opening balance		-	244
Recognition of share-based payments (performance rights)	22	26	33
Transfer from Share based payment reserve on exercise of retention rights		-	(277)
	19(a)	26	-
Reorganisation reserve	19(b)	(222,856)	(222,856)
Acquisition reserve			
Opening balance		-	-
Deferred share consideration for Cotters Acquisition		655	-
	19(c)	655	-
Foreign currency translation reserve			
Opening balance		-	-
Exchange differences on translating foreign operations		(103)	-
	19(d)	(103)	-
Total reserves		(222,278)	(222,856)

(a) Share Based Payment Reserve

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

(b) Reorganisation reserve

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

(d) Acquisition reserve

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

(e) Foreign Currency Translation Reserve

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

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

20 Dividends

The following dividends were declared and paid:

	2020 \$'000	2019 \$'000
Interim Dividend – fully franked ordinary		
3.5 cents paid 28 March 2019	-	4,657
3.3 cents paid 26 March 2020	4,391	-
Final Dividend – fully franked ordinary		
4.8 cents paid 3 October 2019	6,386	-

In respect of the year ended 30 June 2020, the directors resolved to pay a fully franked final dividend of 3.8 cents per share. The record date will be 3 September 2020. As such the dividend has not been included as a liability in these financial statements. The total dividend to be paid is \$5.2 million. There are no income tax consequences arising from this dividend at 30 June 2020.

Franking account

The franking credits available for subsequent financial years at a tax rate of 30%	5,249	5,561
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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:

	2020 cents per share	2019 cents per share
Total basic earnings per share	7.18	8.42
Total diluted earnings per share	7.17	8.42
(a) Reconciliation of Earnings Used in Calculating Earnings Per Share		
	2020 \$'000	2019 \$'000
Profit for the period attributable to Parent entity	9,563	11,206
(b) Earnings Used to Calculate Overall Earnings Per Share		
Earnings used to calculate overall earnings per share	9,563	11,206
(c) Weighted Average Number of Shares Used as the Denominator in Calculation of Earnings Per Share		
	2020 No.	2019 No.
Weighted average number of ordinary shares used in calculating basic earnings per share	133,050,724	133,025,926
Cotter's shares issued	132,965	-
Cotter's shares deferred	59,148	-
	133,242,838	133,025,926
Adjustments for calculation of diluted earnings per share:		
- CEO Performance rights	136,244	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	133,379,081	133,025,926

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

22 Share-Based Payments

CEO performance rights

On 23 June 2020, the Group issued 295,050 performance rights to the CEO Craig Dower's. The expected life of the performance rights is 36 months. Vesting of the performance rights will be subject to reasonable satisfaction of performance conditions to be determined by the QANTM Board, and vesting will occur in instalments on the following timetable:

- (i) 20% on the business day after announcement of QANTM's half-year financial results in February 2021;
- (ii) 30% on the business day after announcement of QANTM's half-year financial results in February 2022; and
- (iii) 50% on the business day after announcement of QANTM's half-year financial results in February 2023.

The fair value of the performance rights at valuation date is \$400,000.

Movements during the year

	2020		2019	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Performance rights outstanding as at 1 July	-	-	-	-
Granted during the year	295,050	-	-	-
Performance rights outstanding as at 30 June	295,050	-	-	-
Performance rights exercisable as at 30 June	-	-	-	-

The Company previously established a long-term incentive plan (LTIP) involving the issue of retention rights to eligible employees, up to a limit calculated as a percentage of their fixed annual remuneration each year, conditional on achievement of stipulated performance criteria, in order to assist in the motivation and retention of key employees. The LTIP was 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.

Each retention right issued under the LTIP was convertible into one ordinary share of QANTM on exercise. No amounts were paid or payable by the recipient of the retention right, and the retention rights carried neither rights to dividends nor voting rights. The retention rights were treated as in substance options and accounted for as share-based payments.

Prior to listing, the Company issued 162,158 retention rights to 13 senior employees. Each right was capable of conversion into a fully paid share after a two year vesting period. Vesting was not conditional on any performance conditions, only time and continued service. All rights under that scheme have either vested or were forfeited.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

22 Share-Based Payments (continued)

The Group had the following share-based payment scheme:

	2020 No.	2019 No.
Balance at the beginning of the year	-	146,393
Number issued / (forfeited) during the financial year	-	(146,393)
Balance at the end of the year	-	-

	2020 \$'000	2019 \$'000
	\$	\$
Share based payment expense recognised during the year	26	33

Employee Share Trust (EST)

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

Under the EST, selected key employees, nominated by the Company will be provided with an opportunity to acquire a beneficial interest in fully paid QANTM shares (through the EST). Contributions are paid by QANTM to the EST, which will use those funds to effect an acquisition of QANTM shares for the benefit of the relevant employee under the terms of the EST. The shares will generally be acquired on market by the trustee of the EST (which is not a member of the QANTM Group), but may be issued by QANTM to the trustee of the EST. The employee will not be able to effect a sale of the shares whilst they are in the EST.

23 Financial Risk Management

Objectives, Policies and Processes

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

Liquidity Risk

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

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

Credit Risk

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

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

23 Financial Risk Management (continued)

Market Risk

Foreign Currency Risk

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

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
30 June 2019		
Asset exposure	15,524	10,910
Liabilities exposure	(2,747)	(1,895)
Net exposure	12,777	9,015
30 June 2020		
Asset exposure	15,918	13,467
Liabilities exposure	(3,272)	(1,940)
Net exposure	12,646	11,527

Sensitivity Analysis

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

	Increase / (Decrease)	2020 EBITDA impact 000's \$	2020 NPAT impact 000's \$
Change in AUD/USD exchange rate	1 cents / (1 cents)	(686)/686	(480)/480

Interest Rate Risk

The Group's main interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group does not enter into any derivative financial instruments to manage its exposure to interest rate risk.

Liquidity Risk

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

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

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

23 Financial Risk Management (continued)

Market Risk (continued)

Liquidity Risk (continued)

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

	2020		2019	
	Weighted average interest rate	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank loans	1.87%	23,568	2.71%	12,072
Net exposure to cash flow interest rate risk		23,568		12,072

	Effective Average Fixed Interest Rate Payable		Notional Principal	
	2020	2019	2020	2019
	%	%	\$'000	\$'000
Maturity of notional amounts				
1 to 2 years	1.87	2.71	23,568	12,072

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 \$
30 June 2019	Note				
Liabilities					
Forward exchange contracts	16	-	39	-	39
Total liabilities		-	39	-	39
30 June 2020					
Liabilities					
Forward exchange contracts	16	-	49	-	49
Total liabilities		-	49	-	49

There were no transfers between levels during the financial year.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

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.

	2020 \$'000	2019 \$'000
Statement of Financial Position		
Current assets	2,585	185
Total Assets	95,201	90,341
Current liabilities	1,253	4,575
Total Liabilities	9,266	6,635
Equity		
Issued capital	93,244	91,809
Reserves	26	-
Retained earnings	(7,335)	(8,103)
Total Equity	85,935	83,706
Statement of Profit or Loss and Other Comprehensive Income		
Total profit or loss for the year	10,930	10,319
Total comprehensive income	10,930	10,319

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 28.

Contingent Liabilities

At 30 June 2020 and 30 June 2019, 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 2020 or 30 June 2019.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

26 Interests in Subsidiaries

Composition of the Group

	Principal place of business / Country of Incorporation	Percentage Owned (%) ⁹ 2020	Percentage Owned (%) ¹ 2019
Subsidiaries:			
Advanz Fidelis IP Sdn Bhd	Malaysia	100	100
Davies Collison Cave Pty Ltd ³	Australia	100	100
Davies Collison Cave Law Pty Ltd ³	Australia	100	100
Davies Collison Cave Asia Pte Ltd	Singapore	100	100
Davies Collison Cave NZ Ltd	New Zealand	100	100
FPA Patent Attorneys Pty Ltd ³	Australia	100	100
FPA Patent Attorneys Asia Pte Ltd	Singapore	100	100
ipervescence Pty Ltd	Australia	51	51
QIP Services Pty Ltd ³	Australia	100	100
QIP Nominees Pty Ltd ³	Australia	100	100
Cotters Patent and Trade Mark Attorneys ²	Australia	100	0

27 Business Combination

Acquisition of Cotters Patent and Trade Mark Attorneys

On 22 May 2020, the Company acquired Cotters Patent and Trade Mark Attorneys for a total purchase consideration of \$5.35 million payable in instalments over two years. 35% of the each of the three instalments is payable by way of the issue of QANTM shares. The Company has paid the first instalment in the current year of \$2.665 million in cash and \$1.435 million in shares. The purchase price accounting involves judgment and complexity in the purchase price allocation, including determining the fair values of the acquired assets and liabilities.

The amounts recognised in the financial statements for this business combination have been determined provisionally because of the short time period between acquisition date and reporting date.

Details of the business combination are set out on the following page:

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

² Business acquisition. Refer to note see note 27

³ Members of the cross guarantee group. Refer to Note 28

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

27 Business Combination (continued)

	\$'000
Cash consideration	3,256
Shares	2,091
Total consideration	5,347
Recognised amounts of identifiable net assets:	
Assets	
Trade and other receivables	535
Prepayments	23
Fixed assets	16
Right-of-use asset	428
Intangibles	4,230
Total Assets	5,232
Liabilities	
Trade and other payables	169
Other current liabilities	178
Borrowings	818
Lease liability	428
Provisions	16
Deferred Tax Liability	1,233
Total Liabilities	2,842
Total identifiable net assets at fair value	2,390
Goodwill	2,957
Cash consideration transferred during the year	2,665

28 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:

	2020 \$'000	2019 \$'000
Statement of Comprehensive Income		
Service Charges	84,441	81,534
Associate Charges	24,787	24,577
Total revenue	109,228	106,111
Other income	1,138	4,349
Employee benefits expense	(52,792)	(49,068)
Recoverable expenses	(23,213)	(22,806)
Occupancy expenses	(1,315)	(6,184)
Restructure costs	(1,379)	(2,096)
Other expenses	(10,500)	(10,939)
Earnings before depreciation and amortisation, finance costs and income tax	21,167	19,367
Depreciation and amortisation	(6,583)	(1,970)
Earnings before finance costs and income tax	14,584	17,397
Finance costs	(1,534)	(961)
Profit before income tax	13,050	16,436
Income tax expense	(4,704)	(5,352)
Net profit for the year	8,346	11,084
Total comprehensive income for the year	8,346	11,084

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

28 Deed of Cross-Guarantee (continued)

	2020 \$'000	2019 \$'000
Statement of Financial Position		
Current Assets		
Cash and cash equivalents	4,986	219
Trade and other receivables	30,938	30,205
Other assets	4,339	2,867
Total Current Assets	40,263	33,291
Non-Current Assets		
Property, plant and equipment	2,178	2,208
Right-of-use asset	15,434	-
Intangible assets	75,530	69,704
Total Non-Current Assets	93,142	71,912
Total Assets	133,405	105,203
Current Liabilities		
Trade and other payables	10,297	9,012
Provisions	6,093	7,943
Borrowings	2,447	133
Lease liability	4,306	-
Other financial liabilities	690	39
Current tax liabilities	859	2,242
Total Current Liabilities	24,692	19,369
Non-Current Liabilities		
Provisions	289	3,073
Borrowings	21,036	12,187
Lease liability	13,321	-
Other financial liability	575	-
Deferred tax liabilities	2,434	1,097
Total Non-Current Liabilities	37,655	16,357
Total Liabilities	62,347	35,726
Net Assets	70,158	69,477
Equity		
Issued Capital	295,964	293,921
Reserves	(222,540)	(223,205)
Retained Earnings	(2,366)	(1,239)
Total Equity	71,058	69,477

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

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:

	2020 \$'000	2019 \$'000
Short-term employee benefits	5,026	5,944
Post-employment benefits	138	165
Other long-term benefits	50	113
Total KMP compensation	5,214	6,222

31 Contingent Liabilities

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

Bank guarantees in respect of property leases	2,201	2,494
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QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

32 Cash Flow Information

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

	2020 \$'000	2019 \$'000
Reconciliation of net income to net cash provided by operating activities:		
Profit for the year after income tax	9,377	11,206
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- Depreciation and amortisation	6,760	2,275
- Share based payments	26	33
- Bad debt expense	701	625
- Interest expense on lease liabilities	766	-
Business acquisition costs	-	2,096
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- (increase)/decrease in trade and other receivables	(1,810)	(1,040)
- (increase)/decrease in other assets	(228)	(244)
- increase/(decrease) in trade and other payables	2,293	76
- increase/(decrease) in provisions	(1,839)	1,909
- increase/(decrease) in income tax payable	(1,162)	(842)
- increase/(decrease) in deferred tax balances	200	(1,453)
Cash flow from operations	15,084	14,641

(b) Reconciliation of Liabilities arising from Financing Activities

	1 July 2019 \$'000	Cash flows \$'000	Fair value changes \$'000	Acquisition \$'000	Other \$'000	30 June 2020 \$'000
Finance Leases	248	-	-	-	(248)	-
Bank loans	12,320	11,248	-	-	-	23,568
Lease liabilities	21,764	(5,347)	-	-	1,523	17,940
Total liabilities from financing activities	34,332	5,901	-	-	1,275	41,508

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Notes to the Financial Statements For the Year Ended 30 June 2020

2020	2019
\$	\$

33 Auditors' Remuneration

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tomatsu, the auditor of the Company.

Remuneration of the auditor for:

- auditing or reviewing the financial statements	184,100	219,800
- other assurance services	-	15,000
	<u>184,100</u>	<u>234,800</u>

Amounts paid to other auditors and their related network firms

52,784	-
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34 Events Occurring After the Reporting Date

There were no significant events post 30 June 2020 that have impacted the Group.

35 Company Details

The registered office of the Company is:

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

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2020 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in Basis of Preparation in the Notes to the Financial Statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the consolidated group;
2. the Chief Executive Officer and Chief Financial Officer have given the declarations required by Section 295A that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion, there are reasonable grounds to believe that:
 - a. the Company will be able to pay its debts as and when they become due and payable;
 - b. The Company and the companies to which the ASIC Corporations Instrument applies, as detailed in note 28 to the financial statements, will as a group, be able to meet any obligations or liabilities to which they are, or may, become, subject by virtue of the deed of cross guarantee.

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



Chairman:
Richard England

Dated this 27th day of August 2020

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 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (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
Carrying value of goodwill and intangible assets – impairment assessment Refer to note 11. As at 30 June 2020 the Group's carrying value of goodwill totals \$74.6 million, of which \$64.1 million relates to the FPA Group cash generating unit ("CGU"). Significant judgement is exercised in determining the assumptions and estimates involved in preparing the FPA Group Value in Use ("ViU") valuation model including: • Forecasts of revenue and Earnings before Interest and Tax ("EBIT") for the years 2021 to 2025; • Long-term growth rate applied within the ViU valuation model; and • Weighted Average Cost of Capital ("WACC") rate utilised within the ViU valuation model Management has applied judgement to determine their best estimate for assumptions within the ViU valuation model, including internal and external data as inputs, and factored into their assumptions the challenging prediction of the future impact of COVID-19 on the cash flows of the FPA Group CGU. The ViU valuation model is sensitive to changes in assumptions and estimates used within the ViU valuation model.	In conjunction with our valuation specialists, our procedures included, but were not limited to: • Obtaining an understanding of the control implemented to address the risk relevant to the accuracy of key assumptions within the ViU valuation model; • Assessing the objectivity and competence of the external valuation specialist used by management; • Evaluating management's methodology used to assess the FPA Group CGU for impairment; • Challenging key assumptions including: forecast growth rates by comparing them to results achieved post the commencement of the COVID-19 virus, business trends, economic and industry forecasts and comparable organisations; • Assessing the consistency of the cash flows used with the latest Board approved budget for FPA Group and assessing the historical accuracy of forecasting by FPA management; • Evaluating the discount rate used by assessing the cost of capital for the FPA Group CGU and comparable organisations by comparison to market data and industry research; • Testing on a sample basis, the mathematical accuracy of the cash flow model; • Assessing management's sensitivity analyses on the impairment model using varied discount rates, short-term growth projections as well as long-term growth forecasts to simulate alternative market conditions; and • Assessing the appropriateness of the disclosure presented within the financial statements in relation to the sensitivity of the ViU valuation model to changes within the key assumptions.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, Investor Presentation, 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): Chairman and CEO Report, Business and Market Characteristics, Key Management Personnel, and Board of Directors reports, 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 Chairman and CEO Report, Business and Market Characteristics, Key Management Personnel and Board of Directors reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

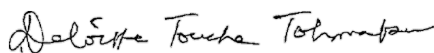
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 26 of the Directors' Report for the year ended 30 June 2020.

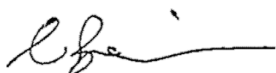
In our opinion, the Remuneration Report of QANTM, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



DELOITTE TOUCHE TOHMATSU



Chris Biermann
Partner
Chartered Accountants
Melbourne, 27 August 2020

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Additional Information for Listed Public Companies

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 12 August 2020.

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	97	119,639,514	89.08%
10,001 to 100,000	394	11,346,421	8.45%
5,001 to 10,000	216	1,807,581	1.35%
1,001 to 5,000	412	1,300,767	0.97%
1 to 1,000	416	204,269	0.15%
Total	1,535	134,298,552	100.00%

Less than marketable parcels of ordinary shares

There are 64 shareholders with unmarketable parcels totalling 9,105 shares.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Additional Information for Listed Public Companies

20 Largest Shareholders

The twenty largest shareholders of quoted equity securities as at 12 August 2020 are as follows:

		Number of fully paid Ordinary Shares	% of issued Capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,472,189	20.46%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,046,305	3.76%
3	ARGO INVESTMENTS LIMITED	4,900,053	3.65%
4	SMARTEQUITY EIS PTY LTD	4,135,565	3.08%
5	CITICORP NOMINEES PTY LIMITED	2,935,903	2.19%
6	JOHN DOWER	2,888,884	2.15%
7	NATIONAL NOMINEES LIMITED	2,474,600	1.84%
8	THOMAS PETER GUMLEY	2,444,223	1.82%
9	CURPSI PTY LTD	2,037,226	1.52%
9	FORDHAM PTY LTD	2,037,226	1.52%
9	GNARWARRE INVESTMENTS PTY LTD	2,037,226	1.52%
9	LOUGHNAN HILL PTY LTD	2,037,226	1.52%
9	MACROPHAGE PTY LTD	2,037,226	1.52%
9	OAKVALE PTY LTD	2,037,226	1.52%
9	PENNIN PTY LTD	2,037,226	1.52%
9	PETROB HOLDINGS PTY LTD	2,037,226	1.52%
9	REZINLOW HOLDINGS PTY LTD	2,037,226	1.52%
9	ROCKY ROAD PTY LTD	2,037,226	1.52%
9	SYBARITE PTY LTD	2,037,226	1.52%
9	TSAR INVESTMENTS PTY LTD	2,037,226	1.52%
9	WOODCASTLE PTY LTD	2,037,226	1.52%
	Totals	78,781,660	
	Total Remaining Holders Balance	55,516,892	41.34%
	Total Quoted Equity Securities	134,298,552	100.00%

Unquoted Equity Securities

On 23 June 2020, QANTM's CEO and MD, Craig Dower received an allocation of 295,050 performance rights. Details of timing and conditions for vesting are detailed in the Remuneration Report comprising section 8 of the Directors' Report.

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

Additional Information for Listed Public Companies

Substantial Shareholders

As at 12 August 2020, 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
Perpetual Limited & Subsidiaries	9,858,450	7.41%
ICE Investors	7,253,977	5.45%

Restricted Securities

The Company had the following restricted securities on issue as at 12 August 2020:

Class	Type of Restriction	Number of Securities	% of issued capital	End Date of Escrow Period
Ordinary Shares	Voluntary Escrow	1,247,828	0.929%	22 May 22
Total Escrowed Shares		1,247,828	0.929%	

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.