

QANTM Intellectual Property Limited ACN 612 441 326 and Controlled Entities

Financial report for Half Year ended 31 December 2022

Appendix 4D

Name of Entity: QANTM Intellectual Property Limited ACN 612 441 326	
Current period:	Half Year ended 31 December 2022
Previous corresponding period:	Half Year ended 31 December 2021

Results for announcement to the market

	31 Dec 2022	31 Dec 2021	Change
	\$'000	\$'000	%
Revenue from ordinary activities	68,628	62,688	9.5%
Statutory Profit from ordinary activities after tax	3,395	3,408	(0.4%)
Distributions – current period (cents): 1H23 interim dividend (declared)	2.8	3.0	
Franked amount per share (cents)	2.8	3.0	
Record date for determining entitlement to the interim dividend		1 March 2023	
Net tangible asset value per share (cents)	(0.0)	(0.0)	

This information should be read in conjunction with the Consolidated Financial Report of QANTM Intellectual Property Limited for the year ended 30 June 2022, and any public announcements made in the period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and ASX Listing Rules.

Audit Status

This report is based on the Consolidated Financial Report of QANTM Intellectual Property Limited ('the Company' or 'QANTM') for the Half Year ended 31 December 2022, which has been reviewed by RSM Australia Partners.

Other Significant Information and Commentary on Results

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2022 Half Year Financial Report.

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

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

QANTM Intellectual Property Limited and Controlled Entities

ACN: 612 441 326

CONSOLIDATED FINANCIAL REPORT

For the Half Year ended 31 December 2022

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for the Half Year ended 31 December 2022

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DIRECTORS' REPORT

for the Half Year ended 31 December 2022

The Directors of QANTM Intellectual Property Limited (the Company or QANTM) present the half year financial report of the Company and its controlled entities (the Group or QANTM Group) for the Half Year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

Davies Collison Cave, including:

- Davies Collison Cave Pty Ltd - an incorporated patent and trademarks 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 mark attorney business operating in Singapore (**DCC Asia**);
- DCC Hong Kong Ltd – an incorporated patent and trade marks attorney business which commenced operation in Hong Kong in August 2022 (**DCC Hong Kong**); and
- DCC Advanz Malaysia Sdn Bhd – a specialist intellectual property advisory company operating in Malaysia (**DCC Advanz**);

FPA Patent Attorneys, including:

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

Sortify.tm Limited – a New Zealand-headquartered incorporated trade mark legal technology company, that provides technology solutions incorporating artificial intelligence and automation to assist with filing of trade marks and management of trade mark portfolios. It operates automated trade mark filing platforms in Australia (under the brand **Trademarks Online**), New Zealand (**DIY Trademarks**) and Malaysia (**Trademarks Malaysia**), and, through its subsidiary, **Trade Mark Planet Ltd**, the United Kingdom.

The Group was restructured on 1 July 2022, with Advanz Fidelis IP Sdn Bhd merging with DCC to become **DCC Advanz** and the merger of the Cotters Patent and Trade Mark Attorneys business with FPA and DCC.

QANTM generates revenue by providing services in relation to the creation, protection, commercialisation, enforcement and management of IP. In addition, QANTM generates revenue outside the IP application process, with clients engaging the QANTM businesses to provide strategic IP advice regarding their IP portfolio or that of their competitors. Such strategic advice assists clients in identifying potential opportunities for IP protection. DCC Law provides IP legal and litigation services, and corporate and commercial legal advice on mergers and acquisitions, governance and compliance, business structures and restructures, capital raising, joint ventures, finance and asset protection. Sortify.tm provides AI-powered technology solutions, including online trade mark registration platforms in Australia, New Zealand, Singapore, Malaysia and the UK, and productivity tools for trade mark attorneys and lawyers.

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

- local clients, which include Australia, New Zealand, Singapore and Malaysia based corporates, public sector research institutions, universities, and private individuals; and
- international clients, which include:
 - foreign corporates that engage directly with QANTM, including Fortune 500 companies and other foreign multinational corporations; and

DIRECTORS' REPORT

for the Half Year ended 31 December 2022

- 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 the QANTM businesses to act on behalf of international clients where that client wishes to obtain IP protection in Australia, New Zealand, Singapore or Malaysia (often as part of the 'national phase entry' of applications made pursuant to the international Patent Cooperation Treaty (**PCT**)). Similarly, QANTM businesses will engage a Foreign Associate to act on behalf of their local clients that wish to obtain IP protection in the Foreign Associate's jurisdiction. This reciprocity between QANTM businesses and their network of Foreign Associates is important in generating incoming referrals of international clients and revenue for the businesses.

DIRECTORS

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

Name	Office
Ms Sonia Petering	Non-Executive Chair
Mr Craig Dower	Managing Director and Chief Executive Officer
Mr Leon Allen	Non-Executive Director
Mr Gavin Bell	Non-Executive Director and Chair of the People, Remuneration and Culture Committee
Ms Kathy Gramp	Non-Executive Director and Chair of the Audit, Risk and Compliance Committee

DIRECTORS' REPORT

for the Half Year ended 31 December 2022

Operational and financial review

Key strategic, business and operational activities during the six months to 31 December 2022 included:

- Continued investment in new capabilities in automation and AI-powered IP systems through Sortify;
- Several major milestones were delivered in the technology modernisation program including migration of all production systems from in-house data centres to Microsoft Azure, resulting in greater stability, improved security, and lower operating costs;
- Re-envisaged work practices and premises strategy, with FPA's Melbourne office being the first to adopt this new framework through a move to 80 Collins Street;
- Further engagement on a number of merger and acquisition opportunities, with a focus on Asia; and
- Continued focus on operational improvements through technology, productivity and cost optimisation.

BUSINESS CONDITIONS

Key features of the Company's business performance during the half year included:

- A 6.2% increase in Group patent applications, with Australian applications (56% of the Group total) up 6.8% compared to the prior corresponding period. This increase compares with an overall market decrease in Australia (excluding innovation patents) of 4.3%.
- QANTM's overall market share in Australia increased from 14.8% for the prior corresponding period to 16.5%, with a particularly strong second quarter market share of 17.0%.
- Asian patent filings (15.1% of the Group total) were similar to those in the prior corresponding period (which had been a record high period for the Group). Filings in the first half of FY23 are up 10.4% on the second half of FY22.
- Rest of World and PCT patent applications (29% of the Group total) were up 9.8% on the prior corresponding period (and up 16% on the second half of FY22).
- Trade mark applications for the Group increased by 11.1%;
- Australian trade mark applications (58% of the Group total) increased by 4.7%;
- New Zealand applications (16% of the Group total) remained stable period-on-period.
- Legal and litigation services revenue contribution was 8.9% higher than the prior corresponding half and 4.2% higher than the immediately preceding half.

FINANCIAL RESULTS

The underlying results of the QANTM Group are adjusted for items not considered to be of a recurring nature, including business acquisition costs and non-recurring payments relating to restructuring and transformation costs. Refer to page 4 for a reconciliation of statutory Net Profit after Tax ('NPAT') to underlying NPAT.

Key features of the underlying half year financial results included:

DIRECTORS' REPORT

for the Half Year ended 31 December 2022

- Service Charges of \$52.0m (1H22: \$48.9m), comprising the following main components:
 - Patent Service Charges up 5.8% to \$35.4m (1H22: \$33.5m)
 - Trade Marks Service Charges up 9.1% to \$10.4m (1H22: \$9.5m)
 - Legal Service Charges up 8.9% to \$6.2m (1H22: \$5.7m)
- Total revenue (Service Charges and Associate Charges) up 9.5% to \$68.6m (1H22: \$62.7m).
- Total net revenue of \$54.1m (1H22: \$50.6m), which includes other income of \$1.2m and is after recoverable expenses from Associate Charges of \$15.7m (1H22: \$13.1m).
- Underlying operating expenses of \$40.3m, an increase of \$2.5m (1H22: \$37.8m). Operating expenses include further investment in business development being made for future growth and an increase in our expected credit loss allowance.
- Underlying EBITDA was \$13.8m (1H22: \$12.8m). EBITDA includes FX loss of \$0.6m (1H22: FX gain \$0.1m).
- Statutory net profit after tax of \$3.4m (1H22: \$3.4m). Statutory profit includes amortisation of intangibles from acquisitions.
- Underlying net profit after tax of \$6.7m (1H22: \$6.5m). The table below provides a reconciliation from statutory to underlying NPAT.
- Cash Flow before acquisitions, financing activities and tax was lower at \$3.5m (1H22: \$9.8m) due to: a \$1.6m prepayment not being in the prior comparative period; a \$1.2m in one-off restructuring costs; and \$1.8m in one-off capital projects and higher debtors, which will normalise in H2 FY23.
- Net Debt to Underlying EBITDA was 1.15 at 31 December 2022 (30 June 2022: 0.90). Net debt as at 31 December 2022 was \$31.8m, compared to \$23.1m as at 31 December 2021 and \$23.8m as at 30 June 2022. As at 31 December 2022, cash and equivalents of \$1.7m were held on the balance sheet (31 December 2021: \$8.4m).

The reconciliation table below reconciles statutory NPAT for the year to underlying NPAT.

	Half Year Ended	
	31-Dec-22	31-Dec-21
	\$'000	\$'000
Statutory NPAT	3,395	3,408
add: interest	1,830	1,129
add: depreciation and amortisation	4,332	4,297
add: tax	1,688	1,666
EBITDA	11,245	10,500
add: retention/ restructuring payments	1,154	87
add: SaaS expenses	1,229	1,428
add: business acquisition costs	144	768
Underlying EBITDA	13,772	12,783
less: depreciation and amortisation	(2,906)	(3,082)
less: interest	(1,572)	(1,129)
less: tax	(2,594)	(2,121)
Underlying NPAT	6,700	6,451

DIRECTORS' REPORT

for the Half Year ended 31 December 2022

DIVIDENDS

For the Half Year ended 31 December 2022, the directors resolved to approve a fully franked interim dividend of 2.8 cents per share (FY22 interim dividend of 3.0 cents per share, fully franked), to be paid on 5 April 2023 to all eligible shareholders on the Company's share register as at the record date of 1 March 2023. The dividend represents 80% of adjusted Statutory NPAT before amortisation of intangibles.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under 307C of the *Corporations Act 2001* is included on page 6 of the half year financial report.

ROUNDING OFF OF AMOUNTS

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

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

On behalf of the Board of Directors,



Kathy Gramp

Director and Chair of the Audit, Risk and Compliance Committee

Melbourne
23 February 2023

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of QANTM Intellectual Property Limited and controlled entities for the half year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



RSM AUSTRALIA PARTNERS



R J MORILLO MALDONADO
Partner

Dated: 22 February 2023
Melbourne, Victoria

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of QANTM Intellectual Property Limited ('the Company') and its controlled entities (together 'the Group') which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* ('ASRE 2410'). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company on 22 February 2023, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



RSM AUSTRALIA PARTNERS



R J MORILLO MALDONADO
Partner

Dated: 23 February 2023
Melbourne, Victoria

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Half Year ended 31 December 2022

	Note	Half Year ended	
		31-Dec-22 \$'000	31-Dec-21 \$'000
Service charges		52,012	48,897
Associate charges		16,616	13,791
Total revenue	4	68,628	62,688
Other Income		1,179	1,051
Employee benefits expenses		(32,714)	(31,263)
Recoverable expenses		(15,725)	(13,120)
Occupancy expenses		(949)	(1,079)
Business acquisition expenses		(144)	(768)
Technology expenses		(3,915)	(3,680)
Other expenses		(5,115)	(3,329)
Earnings before finance costs, income tax, depreciation and amortisation		11,245	10,500
Depreciation and amortisation		(4,332)	(4,297)
Profit before finance costs and income tax		6,913	6,203
Net finance costs		(1,830)	(1,129)
Profit before income tax		5,083	5,074
Income tax expense		(1,688)	(1,666)
Net profit for the period		3,395	3,408
Other comprehensive income / (loss), net of income tax			
Exchange differences on translating foreign operations		112	(214)
Total comprehensive income for the period		3,507	3,194
Net profit attributable to:			
Members of the parent entity		3,395	3,406
Non-controlling interests		-	2
		3,395	3,408
Total comprehensive income attributable to:			
Members of the parent entity		3,507	3,192
Non-controlling interests		-	2
		3,507	3,194
Earnings per share		cents per share	cents per share
Basic (cents per share)		2.47	2.50
Diluted (cents per share)		2.45	2.47

The accompanying notes on pages 13 to 18 form part of this half year financial report

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	Note	31-Dec-22 \$'000	30-Jun-22 \$'000
CURRENT ASSETS			
Cash and cash equivalents		1,655	7,417
Trade and other receivables		40,908	38,784
Other assets		3,459	1,774
Current tax asset		630	176
TOTAL CURRENT ASSETS		46,652	48,151
NON-CURRENT ASSETS			
Property, plant and equipment		3,116	1,644
Right-of-use asset	9	8,403	8,694
Intangible assets		82,772	84,268
TOTAL NON-CURRENT ASSETS		94,291	94,606
TOTAL ASSETS		140,943	142,757
CURRENT LIABILITIES			
Trade and other payables		11,709	14,143
Provisions		8,508	8,027
Borrowings	11	1,476	3,621
Lease liability		3,975	3,617
Other financial liabilities		1,392	1,500
TOTAL CURRENT LIABILITIES		27,060	30,908
NON-CURRENT LIABILITIES			
Provisions		69	226
Borrowings	11	31,987	27,553
Lease liability		6,466	7,357
Other financial liability		-	1,228
Deferred tax liability		3,634	3,540
TOTAL NON-CURRENT LIABILITIES		42,156	39,904
TOTAL LIABILITIES		69,216	70,812
NET ASSETS		71,727	71,945
EQUITY			
Issued capital	7	300,028	298,948
Reserves		(223,104)	(223,223)
Non-controlling interest		(416)	(416)
Accumulated losses		(4,781)	(3,364)
TOTAL EQUITY		71,727	71,945

The accompanying notes on pages 13 to 18 form part of this half year financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Half Year ended 31 December 2022

	Issued Capital	Reorg. Reserve	Acquisition Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Non – Controlling Interest	Acc. Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2021	297,408	(222,856)	270	272	(82)	(274)	(1,908)	72,830
Profit for the period	-	-	-	-	-	2	3,406	3,408
Other comprehensive income for the period	-	-	-	-	(214)	-	-	(214)
Total comprehensive income for the period	-	-	-	-	(214)	2	3,406	3,194
Shares issued during the year	60	-	-	-	-	-	-	60
Issued capital from Sortify Acquisition	1,000	-	-	-	-	-	-	1,000
Share based payment	-	-	-	221	-	-	-	221
Performance rights	90	-	-	(90)	-	-	-	-
Dividends paid	-	-	-	-	-	-	(4,626)	(4,626)
Closing balance at 31 December 2021	298,558	(222,856)	270	403	(296)	(272)	(3,128)	72,679

	Issued Capital	Reorg. Reserve	Acquisition Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Non – Controlling Interest	Acc. Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2022	298,948	(222,856)	-	302	(669)	(416)	(3,364)	71,945
Profit for the period	-	-	-	-	-	-	3,395	3,395
Other comprehensive income for the period	-	-	-	-	112	-	-	112
Total comprehensive income for the period	-	-	-	-	112	-	3,395	3,507
Shares issued during the year	-	-	-	-	-	-	-	-
Issued capital from Sortify Acquisition	1,000	-	-	-	-	-	-	1,000
Share based payment	-	-	-	87	-	-	-	87
Performance rights	80	-	-	(80)	-	-	-	-
Dividends paid	-	-	-	-	-	-	(4,812)	(4,812)
Closing balance at 31 December 2022	300,028	(222,856)	-	309	(557)	(416)	(4,781)	71,727

The accompanying notes on pages 13 to 18 form part of this half year financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the Half Year ended 31 December 2022

	Half Year ended	
	31-Dec-22	31-Dec-21
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	69,755	68,471
Payments to suppliers and employees	(63,953)	(58,168)
Interest and costs of finance paid	(1,449)	(664)
Income tax paid	(2,160)	(2,344)
Net cash provided by operating activities	2,193	7,295
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(1,971)	(204)
Payments for intangible assets	(286)	(316)
Payments for business acquisition related costs	(144)	-
Payments for business acquisition	(500)	(6,657)
Net cash used in investing activities	(2,901)	(7,177)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	3,488	11,000
Repayment of bank borrowings	(1,539)	(1,411)
Payments of lease liability	(2,193)	(2,449)
Dividends paid	(4,812)	(4,626)
Net cash (used in)/ provided by financing activities	(5,056)	2,514
Net (decrease)/ increase in cash and cash equivalents	(5,764)	2,632
Cash and cash equivalents at the beginning of the period	7,417	5,722
Effects of exchange rate changes on the balance of cash held in foreign currencies	2	3
Cash and cash equivalents at the end of the period	1,655	8,357

The accompanying notes on pages 13 to 18 form part of this half year financial report

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the Half Year ended 31 December 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These general purpose interim financial statements for the Half Year reporting period ended 31 December 2022 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. QANTM Intellectual Property Limited and its controlled entities ('the Group') is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2022, together with any public announcements made during the following half year.

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

(b) Accounting Policies

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

(c) Critical Accounting Estimates and Judgements

When preparing the interim financial statements, management undertakes a number of judgments, estimates, and assumptions about the recognition and measurement of assets, liabilities, income, and expenses. The actual results may differ from the judgments, estimates, and assumptions made by management, and will seldom equal the estimated results. The judgments, estimates, and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2022.

NOTE 2: DIVIDENDS

On 22 February 2023, the directors approved a fully franked interim dividend of 2.8 cents per share in respect of the half-year ended 31 December 2022, to be paid on 5 April 2023 to all eligible shareholders on the Company's share register as at the record date of 1 March 2023. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$3.9 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the Half Year ended 31 December 2022

NOTE 3: SEGMENT INFORMATION

Basis for segmentation

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

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

Half Year ended	AUSTRALIA		ASIA		TOTAL	
	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Service charges	48,036	45,952	3,976	2,945	52,012	48,897
Associate charges	15,340	12,959	1,276	832	16,616	13,791
Total Revenue	63,376	58,911	5,252	3,777	68,628	62,688
Other Income	1,010	841	169	210	1,179	1,051
Less Recoverable Expenses	(14,607)	(12,289)	(1,118)	(831)	(15,725)	(13,120)
Net Revenue	49,779	47,463	4,303	3,156	54,082	50,619
Less Overheads	(39,719)	(35,811)	(2,974)	(2,025)	(42,693)	(37,836)
Earnings Before Interest, Tax, Depreciation and Amortisation	10,060	11,652	1,329	1,131	11,389	12,783
Depreciation	(465)	(530)	(35)	(38)	(500)	(568)
Amortisation	(3,532)	(3,662)	(300)	(67)	(3,832)	(3,729)
Segment profit before finance costs and income tax	6,063	7,460	994	1,026	7,057	8,486
Adjustments to reconcile to statutory profit						
Unallocated expenses					(144)	(2,283)
Statutory profit before finance costs and income tax					6,913	6,203
Finance costs					(1,830)	(1,129)
Profit for the period before income tax					5,083	5,074

Major customers

No single customer contributed 10% or more of the Group's revenue during either the Half Year ended 31 December 2022 or 31 December 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the Half Year ended 31 December 2022

NOTE 4: DISAGGREGATED REVENUE

Disaggregated revenue

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

	Half Year ended	
	31-Dec-22	31-Dec-21
	\$'000	\$'000
Geographical markets		
Australia	63,376	58,911
Asia	5,252	3,777
	68,628	62,688
Service Lines		
Service Charges	52,012	48,897
Associate Charges	16,616	13,791
	68,628	62,688
Timing of revenue recognition		
At a point in time	46,814	37,786
Over time	21,814	24,902
	68,628	62,688

NOTE 5: CONTINGENT LIABILITIES

	31-Dec-22	30-Jun-22
	\$'000	\$'000
Estimates of material amounts of contingent liabilities, not provided for in the financial report:		
Bank guarantees in respect of property leases	2,627	2,309
	2,627	2,309

NOTE 6: EVENTS SUBSEQUENT TO BALANCE DATE

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the Half Year ended 31 December 2022

NOTE 7: ISSUED CAPITAL

	31-Dec-22 \$'000	30-Jun-22 \$'000
Fully Paid Ordinary shares	300,028	298,948
	31-Dec-22 No.	30-Jun-22 No.
At the beginning of the reporting period	137,498,622	136,059,964
Shares issued during the year:		
Issue for business acquisition	877,192	1,211,672
Issued to employee share schemes	76,319	226,986
At the end of the reporting period	138,452,133	137,498,622

NOTE 8: SHARE-BASED PAYMENTS

LTI program performance rights

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

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

Executive performance rights

There have been four issues of performance rights by the Group to executives since 23 June 2020, which were expressed to be eligible to vest as QANTM shares in three instalments (20% after one year, 30% after two years and 50% after three years) subject to continued employment and reasonable satisfaction of performance conditions to be determined by the QANTM Board. There has been no additional executive performance rights issued for the half-year ended 31 December 2022.

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

Movements during the year

	Number	Weighted Average Exercise Price \$
Performance rights outstanding as at 1 July	1,036,663	-
Granted during the year ¹	666,000	-
Performance rights vested ²	(76,319)	1.04823
Performance rights forfeited ³	(242,645)	-
Performance rights outstanding as at 31 December	1,383,699	
Performance rights exercisable as at 31 December	-	

¹ On 1 December 2022, 666,000 of performance rights were issued to CEO, CFO and other senior executives.

² On 7 September 2022 and 31 October 2022 a total of 76,319 performance rights vested.

³ On 7 October 2022 242,645 of performance rights were forfeited as vesting conditions were not met.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the Half Year ended 31 December 2022

NOTE 9: RIGHT-OF-USE ASSET

	31-Dec-22 \$'000	30-Jun-22 \$'000
Leased buildings		
Right-of-use asset	23,225	21,778
Accumulated amortisation	(14,822)	(13,084)
Total Right-of-use asset	8,403	8,694

Movements in carrying amounts of right-of-use asset

	Leased buildings \$'000	Total \$'000
Opening balance as at 1 July 2022	8,694	8,694
Foreign currency translation adjustment to opening balance	5	5
Additions	1,503	1,503
Disposals	(61)	(61)
Amortisation	(1,738)	(1,738)
Closing balance as at 30 December 2022	8,403	8,403

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 in during the period of \$1.5 million relates to the new FPA Melbourne office head lease, which has a lease term of 5 years.

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

NOTE 10: Sortify Acquisition

QANTM acquired Sortify in September 2021. The acquisition accounting was included in the financial report for the year ended 30 June 2022. In line with the requirements of AASB 3 *Business Combinations*, the measurement period is required not to exceed one year. As such, the acquisition accounting for Sortify is final as at 31 December 2022. There have been no changes during the measurement period to identified assets and liabilities acquired as recorded at 30 June 2022.

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

The Group has performed an indicator of impairment analysis for its Cash Generating Units. The Group took into account external and internal factors, including financial performance; review of key customers and employees; technological and market developments.

No indicators of impairment were noted for these CGUs. Users are referred to the sensitivity disclosures included in the financial report for the year ended 30 June 2022.

NOTE 11: Borrowings

(a) Total Current and Non-Current Secured Borrowings

	31-Dec-22 \$'000	30-Jun-22 \$'000
Bank loans	1,476	3,621
Total current borrowings	1,476	3,621

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the Half Year ended 31 December 2022

NOTE 11: Borrowings (continued)

	31-Dec-22 \$'000	30-Jun-22 \$'000
Bank loans	31,987	27,553
Total non-current borrowings	31,987	27,553
Total borrowings	33,463	31,174

(b) Summary of Borrowing Arrangements

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

- US\$25.5 million acquisition facility;
- A\$25 million multi-currency revolving facility;
- A\$5 million overdraft facility; and
- A\$4.3 million multi-option facility.

The facilities have a maturity date of 1 July 2025. All facilities, excluding the USD facility, have a variable interest rate based on bank bill swap rate (BBSY) plus a margin. The USD facility is based on the Compound Secured Overnight Financing Rate (SOFR) plus a margin. In addition, commitment and line fees calculated based on the relevant limit are payable on the facilities.

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

	31-Dec-22 \$'000	30-Jun-22 \$'000
Amount utilised	33,463	31,174
Amount unutilised	34,176	27,176
Total facilities	67,639	58,350

(c) Assets Pledged as Security for Borrowings

The banking facilities are secured by a security interest granted by the Group over all of their assets in favour of HSBC as well as cross guarantees and indemnities between the Group members.

DIRECTORS' DECLARATION

for the Half Year ended 31 December 2022

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached condensed financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the six month period then ended.

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

On behalf of the Directors



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