FREEHILLS PATENT ATTORNEYS

Annual Report for the Year Ended 30 June 2015

FREEHILLS PATENT ATTORNEYS
ANNUAL REPORT
for the year ended 30 June 2015

Contents

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Partners' Report

The Partners' of Freehills Patent Attorneys (the Partnership) submit herewith the annual financial report of the Partnership for the financial year ended 30 June 2015.

Information about the partners

The following persons were partners of Freehills Patent Attorneys during or since the end of the financial year:

James Cherry
John Dower
Tom Gumley
Brett Connor
Greg Noonan
Damian Slizys
Carl Harrap
Thor North

Principal Activities
The principal activity of the Partnership is the provision of patent services.

Reporting Period
These financial statements are for the reporting period 1 July 2014 to 30 June 2015.

Review of Operations

The firm had a successful year with a satisfactory financial result despite the completion of some large projects. The firm's new focus on Southeast Asia resulted in filing growth there during the financial year. Significant growth in Southeast Asia filings is expected to continue as the Asia market is growing rapidly in the intellectual property area, especially patents. Increasingly global entities are looking to FPA to satisfy their regional needs in the intellectual property and patent space. Our highly specialised personnel, comprehensive global network of foreign associate firms and close association with one of the world's largest law firms allow our firm to fully service its clients for all intellectual property requirements in Australia, New Zealand and overseas jurisdictions. We also continue to develop and improve our systems and workflows to meet the needs of our clients and the changing landscape of the patent industry.

Changes in state of affairs

There was no change in the state of affairs of the partnership during the year.

Subsequent Events
On 6 July 2016, the Partners passed a resolution to dissolve the partnership subject to the successful Initial Public Offering of Qantm Intellectual Property Limited.

Future Developments
Disclosure of information regarding likely developments in the operations of the Partnership in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Partnership. Accordingly, this information has not been disclosed in this report.

Partnership Distributions

During the year $8,367,858 was distributed to members of the Partnership for the year ended 30 June 2015.

FREEHILLS PATENT ATTORNEYS
ANNUAL REPORT
for the year ended 30 June 2015

Partners' Report (continued)

Indemnification and Insurance of Officers and Partners

The Partnership has not during or since the financial year, indemnified or agreed to indemnify an auditor of the Partnership against a liability incurred as auditor, except to the extent permitted by law.

Changes in State of Affairs

There was no significant change in the state of affairs of the Partnership during the financial year.

Signed in accordance with a resolution of the Partners

On behalf of the Partners

James Cherry
Managing Partner

29.7.16

FREEHILLS PATENT ATTORNEYS
ANNUAL REPORT
for the year ended 30 June 2015

Partners' Declaration

The Partners declare that:

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

(b) in the Partners' opinion, the attached financial statements and notes comply with Australian Accounting Standards and give a true and fair view of the financial position and performance of the Partnership.

Signed in accordance with a resolution of the Partners

On behalf of the Partners

James Cherry
Managing Partner

29.7.16

FREEHILLS PATENT ATTORNEYS
Statement of profit or loss and other comprehensive income
for the year ended 30 June 2015

	Notes	Year Ended 30 June 2015 $
Operating Revenue	**3**	24,191,091
Other Income	**4**	489,811
Operating Expenses		
Patent office and associate fees		(4,357,724)
Employee benefit expense		(7,664,481)
Travel and entertainment		(474,406)
Occupancy		(1,522,830)
Marketing		(191,151)
Technology costs		(1,121,241)
Other expenses	**5**	(981,211)
Profit for the year		**8,367,858**
Other Comprehensive Income for the year		
Total Comprehensive Income for the year		**8,367,858**

Notes to the Financial Statements on pages 9 to 25 form an integral part of these Financial Statements.

FREEHILLS PATENT ATTORNEYS
Statement of financial position
as at 30 June 2015

	Note	30 June 2015 $
Current Assets		
Cash and cash equivalents	**7**	1,611,186
Trade and other receivables	**8**	6,326,984
Other		100,184
Total Current Assets		8,038,354
Non-Current Assets		
Property, Plant and Equipment	**9**	50,868
Intangible Assets	**10**	46,126
Total Non-Current Assets		96,994
Total Assets		**8,135,348**
Current Liabilities		
Trade and other payables	**11**	2,069,701
Provisions	**12**	105,318
Borrowings	**13**	3,966,233
Total Current Liabilities		6,141,252
Non-Current Liabilities		
Provisions	**12**	394,096
Borrowings	**13**	1,600,000
Total Non-Current Liabilities		1,994,096
Total Liabilities		**8,135,348**
Total Equity		**-**

Notes to the Financial Statements on pages 9 to 25 form an integral part of these Financial Statements.

FREEHILLS PATENT ATTORNEYS
Statement of cash flows
for the year ended 30 June 2015

	Note	2015 $
Cash flows from Operating Activities		
Receipts from customers		24,244,194
Payments to suppliers and employees		(15,730,171)
Net Finance costs paid		(66,217)
Net Cash Flows provided by Operating Activities	**15**	**8,447,806**
Cash flows from Investing Activities		
Payments for property, plant and equipment		(11,926)
Payments for intangible assets		(20,592)
Net Cash Flows used in Investing Activities		**(32,518)**
Cash flows from Financing Activities		
Proceeds from borrowings		600,000
Repayment of borrowings		(1,500,000)
Distributions paid to the Partners		(7,266,675)
Net Cash Flows used in Financing Activities		**(8,166,675)**
Net increase in cash held		**248,613**
Cash at the beginning of the financial year		1,362,573
Cash at the end of the financial year	**7**	**1,611,186**

Statement of Changes in Equity
for the year ended 30 June 2015

	Total $
Balance at 1 July 2014	-
Balance at 30 June 2015	-

Notes to the Financial Statements on pages 9 to 25 form an integral part of these Financial Statements.

1. General Information

The Partnership's registered office is as follows:
Level 43
101 Collins Street
Melbourne VIC 3000

2. Significant accounting policies

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Accounting Standards and Interpretations. For the purposes of preparing the financial statements, the Partnership is a for-profit entity. Accounting standards include the Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Partnership comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the partners on 29 July 2016.

(b) Basis of preparation

The financial statements have been prepared on the basis of historical cost, unless otherwise stated. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. All amounts are presented in Australian dollars unless otherwise stated.

(c) Changes in accounting policies

The principal accounting policies adopted are consistent with those of the previous financial year, unless stated otherwise.

Except for the changes below, the Partnership has consistently applied the accounting policies set out below to all periods presented in these financial statements.

The nature and effects of the changes are explained below.

(i) *First time adoption of Australian Accounting Standards (AASBs)*

The Partnership changed its accounting policies on 1 July 2015 to comply with Australian Accounting Standards. The transition to Australian Accounting Standards is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Accounting Standards', with 1 July 2014 as the date of transition.

(d) Foreign currencies

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

In preparing the financial statements of the Partnerships' transactions in currencies other than the partnership's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Nonmonetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

2. Significant accounting policies (continued)

(e) Revenue

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

Dividend revenue is recognised when the right to receive a dividend has been established (provided that it is probable that the economic benefits will flow to the Partnership and the amount of income can be measured reliably)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Partnership and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Revenue from trust distributions is recognised when the right to receive a distribution has been established (provided that it is probable that the economic benefits will flow to the Partnership and the amount of income can be measured reliably). Other revenue, including commission revenue, is recognised when it is received or when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax (GST).

(f) Accrued Revenue

Accrued revenue represents costs incurred and profit recognised on client assignments and services that are in progress at balance date. Accrued revenue is valued at net realisable value after providing for any foreseeable losses. Accrued revenue older than 90 days is reviewed and any accrued revenue not thought to be recoverable is written off.

(g) 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(h) Trade and Other Receivables

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 2(m) for further discussion on the determination of impairment losses.

Unearned income is recognised as a liability when received and is recognised as revenue once a patent service has been provided or completed.

(i) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 90 days of recognition of the liability.

2. Significant accounting policies (continued)

(j) Financial instruments

Loans and receivables

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

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-Partnership balances.

Non-derivative financial liabilities are recognised at amortised cost using the effective interest method.

Trade accounts payable comprise the original debt less principal payments plus where applicable any accrued interest.

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

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

The carrying amount of financial assets is reviewed annually the Partners' to assess whether there is any objective evidence that a financial asset is impaired.

Where such objective evidence exists, the Partnership recognises impairment losses.

(k) Property, plant and equipment

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

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

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

Depreciation rates

Class of fixed asset	**Depreciation rates**	**Depreciation basis**
Leasehold improvements at cost	6.67% - 16.67%	Straight line
Plant and equipment at cost	5% - 37.5%	Straight line
Furniture, fixtures and fittings at cost	5% - 20. %	Straight line
Computer equipment at cost	20% - 33.3%	Straight line
Computer equipment under lease	20% - 33.3%	Straight line

An item of property, plant and equipment is derecognised upon 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.

2. Significant accounting policies (continued)

(l) Intangibles

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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

(m) Impairment of assets

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

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

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

(n) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(o) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases

Assets held under finance leases are initially recognised as assets of the Partnership at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Partnership's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

2. Significant accounting policies (continued)

(o) Leases (continued)

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.

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

(p) Employee benefits

(i) Short and long-term employee benefit

A liability is recognised or benefits accruing to employees in respect of wages and salaries, annual leave, long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

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

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

(ii) Retirement benefit costs

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

(q) Borrowing costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings.

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(s) Taxation

The partnership income is reported as part of the Partners’ personal income tax assessment.

2. Significant accounting policies (continued)

(t) New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

The Partnership has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period as listed below.

- AASB 2012-3 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities
- AASB 2012-9 'Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non - Financial Assets'
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
- Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
- Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
- Part C: 'Materiality'

The adoption of the above Accounting Standards and Interpretations has not had any material impact on the amounts reported in this financial report but may affect the accounting for future transactions or arrangements. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Refer below.

Standards and interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The impact of the below Standards and Interpretations has not yet been determined.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016

2. Significant accounting policies (continued)

(t) New and revised AASBs affecting amounts reported and/or disclosures in the financial statements (continued)

These Standards and Interpretations will be first applied in the financial report of the Partnership that relates to annual reporting period beginning after the effective date of each pronouncement.

The Partners have yet to assess the financial impact that the adoption of these Standards and Interpretations in future periods will have on the financial statements of the partnership.

(u) Critical accounting judgements and key sources of uncertainty

The critical accounting judgement for the Partnership relates to the recognition of revenue in respect of services that span across multiple reporting periods. Refer to Note 2(e) for further details.

3. Revenue

	2015
	$
Revenue from rendering of services	24,191,091
	24,191,091

4. Other Income

	2015
	$
Net foreign exchange gain	441,970
Interest income	19,122
Other income	28,719
	489,811

5. Expenses

Profit for the year includes the following specific other expenses

	2015
	$
Accounting and legal	(112,183)
Insurance	(322,593)
Bad debt expense	(15,447)
Financial costs	(91,597)
Other office costs	(390,186)
Depreciation and amortisation	(55,484)

6. Segment Information

The partnership has one reportable segment.

The Partnership does not have any one customer who makes up 10% of the partnership's revenue.

7. Cash and Cash Equivalents

	30 June 2015 $
Cash	1,611,186
	1,611,186

8. Trade and other Receivables

	30 June 2015 $
Trade receivables	5,802,671
Provision for doubtful debts	(152,894)
Accrued Revenue	677,207
	6,326,984

The average credit period on invoices is 30 days. No interest is charged on trade receivables.

Impairment of receivables

The Partnership has recognised $152,894 in relation to impairment of receivables for the year ended 30 June 2015.

The aging of the impaired receivables provided above as are as follows:

	30 June 2015 $
Current	(15,999)
31 – 60 Days	(13,280)
61 – 90 Days	(29,854)
Past due more than 91 days	(93,761)
	(152,894)

Past due but not impaired
Customers with receivables balances past due but without provision for impairment, amount to $2,537,317 as at 30 June 2015. The Partnership did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The aging of the past due but not impaired receivables are as follows:

	30 June 2015 $
31 – 60 Days	1,314,699
61 – 90 Days	567,228
Past due more than 91 days	655,390
	2,537,317

FREEHILLS PATENT ATTORNEYS
Notes to the financial statements
for the year ended 30 June 2015

9. Property, Plant and Equipment

	Office Equipment $	Fixtures and Fittings $	Total $
Cost			
Balance at 1 July 2014	71,316	25,516	96,832
Additions	7,471	4,454	11,925
Disposals	-	-	-
Balance at 30 June 2015	**78,787**	**29,970**	**108,757**
Accumulated Depreciation			
Balance at 1 July 2014	(21,480)	(2,572)	(24,052)
Depreciation Expense	(27,356)	(6,481)	(33,837)
Disposals	-	-	-
Balance at 30 June 2015	**(48,836)**	**(9,053)**	**(57,889)**
Net Book Value 30 June 2015	**29,951**	**20,917**	**50,868**

10. Intangible assets

	Software $	Total $
Cost		
Balance at 1 July 2014	59,282	59,282
Additions	20,592	20,592
Disposals	-	-
Balance at 30 June 2015	**79,874**	**79,874**
Accumulated Amortisation		
Balance at 1 July 2014	(12,101)	(12,101)
Amortisation Expense	(21,647)	(21,647)
Disposals	-	-
Balance at 30 June 2015	**(33,748)**	**(33,748)**
Net Book Value 30 June 2015	**46,126**	**46,126**

11. Trade and other payables

	30 June 2015 $
Trade Payables	1,511,281
Accruals	139,013
Net GST Payable	52,704
Accrued Annual leave	366,703
	2,069,701

The average credit period on purchases of goods is 30 days. No interest is charged on the trade payables. The Partnership has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

12. Provisions

Long Service Leave	**30 June 2015 $**
Balance at 1 July 2014	430,496
Increase in provision	58,804
Provisions used during the year	(26,720)
Movement in effect of discounting	36,834
Balance at 30 June 2015	**499,414**
Current	105,318
Non-Current	394,096
	499,414

13. Borrowings

	30 June 2015 $
Secured at amortised cost	
Partner Capital Contribution Loan Facility (1)	1,600,000
Working Capital Loan Facility (2)	500,000
Unsecured at amortised cost	
Partner funds account (3)	3,466,233
	5,566,233
Current	3,966,233
Non-current	1,600,000
	5,566,233

(1) The partner capital contribution loan facility matures 30 June 2017, as has an interest rate of 2.59%
(2) The working capital loan facility is a short term facility with an interest rate of 0.5%
(3) The partners funds represents undrawn partner distributions as is non-interest bearing

Compliance with loan agreements

During the year there was no breach of any of the terms of the loan facilities.

14. Financial Instruments

The Partners have overall responsibility for the establishment and oversight of the Partnership's risk management framework.

The Partnership's risk management policies are established to identify and analyse the risks faced by the Partnership, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Partnership's activities.

Capital risk management

The Partnership manages its capital to ensure that entities of the Partnership will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance.

(a) Categories of financial instruments

	30 June 2015 $
Financial assets:	
Trade and other receivables	6,326,984
Cash and cash equivalents	1,611,186
Financial liabilities:	
Other payables and accruals	2,069,701
Borrowings	5,566,233

(b) Foreign currency risk management

The partnership undertakes transactions denominated in foreign currencies (primarily USD); consequently, exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	30 June 2015	
	Trade receivables $	Other payables $
USD denominated balances	1,801,650	374,784

14. Financial Instruments (continued)

Foreign currency sensitivity analysis

The Partnership is mainly exposed to USD. Ten per cent represents management's assessment of the reasonably possible change in foreign exchange rates. Sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at period end for a ten per cent change in the functional currency rates. A negative number indicates a decrease in profit or equity where the functional currency strengthens ten per cent against the relevant currency for financial assets and where the functional currency weakens against the relevant currency for financial liabilities. For a ten per cent weakening of AUD against the relevant currency for financial assets and a ten per cent strengthening for financial liabilities, there would be an equal and opposite impact on net assets and the balances would be positive.

	USD Impact 30 June 2015 $
Profit or loss	344,473

Foreign currency exchange contracts

The Partnership has not entered into forward exchange contracts to buy or sell specified amounts of foreign currencies in the future at stipulated exchange rates.

(c) Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in the market interest rates. The Partnership has exposure to interest rate risk relating to its bank balances.

	30 June 2015 $
Financial assets	
Cash at bank	1,611,186
Financial Liabilities	
Borrowings	5,566,233

Interest rate sensitivity analysis

Variable rate of interest is the sensitivity rate used in management's assessment of the reasonably possible change in interest rates.

If interest rates had been higher by 50 basis points and all other variables were held constant, the profit and net assets would decrease by:

	30 June 2015 $
Financial assets - Cash at bank	
Profit or Loss	8,056
Financial Liabilities – Borrowings	
Profit or Loss	(10,500)

If interest rates had been 50 basis points lower, the impact would be equal and opposite.

(d) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Partnership

The Partnership does not have any significant credit risk exposure to any single counterparty or any Partnership of counterparties having similar characteristics. The credit risk on liquid funds is limited because the Partnership has minimal trade receivables primarily due to the nature of its assets. The Partnership limits its credit risk by carrying out transactions only with its related parties in some instances.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position.

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Partners who have built an appropriate liquidity risk management framework for the management of the Partnership's funding and liquidity management requirements. The Partnership manages liquidity risk by maintaining sufficient cash balances.

Liquidity and interest risk tables

The following tables detail the Partnerships' remaining contractual maturity for their non-derivative financial assets and liabilities. The tables have been drawn up based on the cash flows of financial liabilities and the earliest date on which the Partnership can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
30 June 2015						
Financial liabilities						
Non-interest bearing	-	1,563,985	505,716	3,466,233	-	-
Variable interest rate	2.59	-	-	500,000	1,600,000	-
Fixed interest rate	-	-	-	-	-	-
		1,563,985	**505,716**	**3,966,233**	**1,600,000**	
Financial assets						
Non-interest bearing	-	3,558,606	2,048,773	719,605	-	-
Variable interest rate	2.00	1,611,186	-	-	-	-
Fixed interest rate	-	-	-	-	-	-
		5,169,792	**2,048,773**	**719,605**	-	-

(f) Fair value of financial instruments

The Partners consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

15. Notes to the Statement of Cash Flows

Reconciliation of profit after income tax to net cash flow from operating activities

	2015 $
Net profit for the year	**8,367,858**
Adjustment for non-cash income and expense items:	
- Depreciation	33,837
- Amortisation	21,647
- Bad debts written off	15,447
	8,438,789
Movements in working capital:	
(Increase) / decrease in operating assets:	
- Receivables – current	(433,054)
- Other assets	190,408
Increase / (decrease) in operating liabilities:	
- Payables – current	182,745
- Employee benefits provisions	68,918
	9,017
Net operating cash flow	8,447,806

16. Related Parties

(a) Partners

The names of persons who were Partners of the Partnership at any time during the year ended 30 June 2015 are as follows:

James Cherry
John Dower
Tom Gumley
Brett Connor
Greg Noonan
Damian Slizys
Carl Harrap
Thor North

(b) Key Management Personnel

The names of persons who were considered key management personnel of the Partnership at any time during the year ended 30 June 2015 are as follows:

James Cherry	Managing Partner
John Dower	Partner
Julie Zammit	Chief Operating Officer
Gavin Evans	Chief Operating Officer (resigned during the year)

(c) Transactions with related parties

The following amounts were distributed to members of the Partnership during the year ended 30 June 2015:

Partner	Distributions $
James Cherry	
John Dower	
Tom Gumley	
Brett Connor	
Greg Noonan	
Damian Slizys	
Carl Harrap	
Thor North	

17. Commitments

	30 June 2015 $
Operating Lease Commitments	
Less than One Year	43,440
Between One and Five Years	23,080
More than Five Years	-
	66,520

18. Subsequent Events

On 6 July 2016, the Partners passed a resolution to dissolve the partnership subject to the successful Initial Public Offering of Qantm Intellectual Property Limited.

19. Key Management Personnel Compensation

The compensation of key management personnel of the Partnership is set out below:

Compensation of Partners:

	2015 $
Profit share distribution	

Compensation of employees:

	2015 $
Short-term employee benefits	320,719
Post-employment benefits	-
	320,719

20. Auditors Remuneration

The following amounts were paid to Deloitte Touche Tohmatsu in their capacity as the auditor of the partnership.

	2015
	$
Audit of the financial statements	25,000
	25,000

Deloitte.

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Independent Auditor's Report to the partners of Freehills Patent Attorneys

Report on the Financial Report

We have audited the accompanying financial report of Freehills Patent Attorneys, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the partners' declaration of the partnership as set out on pages 5 to 25.

Partners' Responsibility for the Financial Report

The partners of Freehills Patent Attorneys are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and for such internal control as the partners determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the partners, as well as evaluating the overall presentation of the financial report.

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

Basis for Qualified Conclusion

The 30 June 2015 comparative balances in relation to the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended have not been included in the financial report. Accordingly, the financial report does not comply with the disclosure requirements of AASB 101 *Presentation of Financial Information* which requires the disclosure of comparative information.

Qualified Opinion

Except for the matter described in the Basis for Qualified Conclusion paragraph, in our opinion, the financial report of Freehills Patent Attorneys gives a true and fair view of Freehills Patent Attorneys' financial position as at 30 June 2015 and its financial performance for the year then ended in accordance with Australian Accounting Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants
Melbourne, 29 July 2016