IPH LIMITED

IPH Limited and its Controlled Entities

Half Year Financial Report

For the Half Year ended 31 December 2018

www.iphltd.com.au

The Directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Group') consisting of IPH Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the half year ended 31 December 2018.

IPH Limited ("IPH", ASX:IPH) is an ASX 200 company and the holding company of intellectual property services firms Spruson & Ferguson, Pizzeys, AJ Park and data analytics software development company, Practice Insight. The Group employs a multidisciplinary team of approximately 630 people in Australia, New Zealand, Singapore, Malaysia, Thailand, Indonesia, China and Germany.

IPH is the leading intellectual property ("IP") services group in the Asia-Pacific region offering a wide range of IP services and products to a diverse client base of Fortune Global 500 companies, multinationals, public sector research organisations, SMEs and professional services firms worldwide.

IPH was the first IP services group to list on the Australian Securities Exchange.

1. Directors

The following persons were Directors of IPH Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name	Office
Mr Richard Grellman, AM	Non-executive Chairman
Dr Andrew Blattman	Managing Director and Chief Executive Officer
Mr John Atkin	Non-executive Director
Ms Robin Low	Non-executive Director

2. Operational and Financial Review

2.1 Operations and Financial performance

The summary financial analysis below shows the results on a statutory and underlying basis.

The HY19 underlying earnings of the Group have been determined by adding back to statutory earnings amounts eliminating the effect of business acquisition adjustments, business acquisition costs, new business establishment costs and non-cash share based payments expenses.

Revenue has grown by 23% to $124.9m, driven by the impact of acquisitions, the sale of the Filing Analytics and Citation Eagle businesses of Practice Insight, organic growth and the impact of a weaker Australian dollar than in the comparative period.

EBITDA increased by $8.8m to $40.6m, up from $31.8m in HY18. Underlying EBITDA of $40.4m has increased by 22% from the prior corresponding period.

The Group achieved a statutory net profit after tax of $24.2m up from $19.7m in HY18. Underlying net profit after tax of $27.9m is 15% up from the prior period.

Items impacting on the half year result in comparison to the prior period has been the inclusion of a full six months of AJ Park (acquired October 2017), the merger of the former Fisher Adams Kelly Callinans (FAKC) and Cullens businesses into Spruson Ferguson from 1 July 2018 and movement in foreign exchange rates, in particular the average USD exchange rate was 5.5c higher than the average rate during the prior comparative period, positively impacting revenue by approximately $3.4m and EBITDA by $2.1m (EBITDA includes the translation of foreign currency denominated expenses offsetting the revenue impact).

	Revenue HY19	Revenue HY18	Chg%	EBITDA HY19	EBITDA FY18	Chg%
Australian & New Zealand IP	84,673	67,650	25%	30,119	24,172	25%
Asian IP	42,894	35,653	20%	16,965	13,553	25%
	127,567	103,303	23%	47,084	37,725	25%
Data and Analytics Software	317	556		(581)	(1,337)	
Corporate Office	(1,084)	606		(6,425)	(3,106)	
Eliminations	(3,958)	(3,232)		342	(57)	
Underlying Revenue / EBITDA	**122,842**	**101,234**	21%	**40,420**	**33,226**	22%
Business acquisition costs				(186)	(925)	
Business combination adjustments				-	642	
New business establishment costs				-	(172)	
Restructuring expenses				(617)	(223)	
Share based payments				(1,058)	(735)	
Disposal of Practice Insight businesses	2,072			2,072	-	
Statutory Revenue / EBITDA	**124,914**	**101,234**	23%	**40,630**	**31,812**	28%
Interest Income				47	16	
Interest Expense				(1,092)	(758)	
Depreciation and amortisation				(6,261)	(5,999)	
Net Profit Before Tax				33,324	25,071	33%
Tax				(9,154)	(5,332)	
Net Profit After Tax				**24,170**	**19,739**	22%

Impact of Foreign Exchange Movements

The Group's results are impacted by movements in foreign exchange rates in the following ways:

(i) Revaluation of foreign denominated assets and liabilities

Group companies invoice the majority of their revenue in USD reflecting the preference of the client base. Accordingly the Group carries a material amount of USD denominated cash and receivables. As at 31 December 2018 the balance sheet contained US$8.7m in cash and US$22.6m in receivables.

At 1 July 2018, the Group had drawn debt related to the acquisition of AJ Park of US$26m. During the half year US$6.5m of this debt was repaid.

The net unrealised losses arising from these assets and liabilities totals $814k compared to a gain of $812k in the comparative period. This comprises a loss of $1.0m on revaluation of the USD debt, offset by gains of $186k across the operating businesses.

A strengthening of SGD against the USD resulted in unrealised FX losses at 31 December in other income. Upon translation of the Singapore cash and receivables balances, the resultant FX gain is recognised in the Foreign Currency Translation Reserve rather than profit and loss.

Period end foreign exchange rates used to translate balance sheet accounts were:

	AUD/USD	AUD/EUR	AUD/SGD
31 December 2017	0.7806	0.6516	1.0434
30 June 2018	0.7407	0.6420	1.0095
31 December 2018	0.7054	0.6163	0.9618

(ii) P&L Impact of trading in foreign currencies

Revenue derived by the Group is recorded at the rate of the day of transaction. The Group invoices 50% of its revenue in USD, with a relatively low proportion of USD denominated expenses.

The average exchange rate at which this revenue was derived during the six months to 31 December 2018 was 0.7241, while in the comparative period it was 0.7792. This has resulted in realised FX gains of $1m.

Average foreign exchange rates used to translate earnings throughout the period were:

	AUD/USD	AUD/EUR	AUD/SGD
HY18	0.7792	0.6624	1.0576
HY19	0.7241	0.6287	0.9931
Movement	(7.1%)	(5.1%)	(6.1%)

Australian & New Zealand IP

The Australian & New Zealand IP segment achieved sales revenue growth of 25% to $84.7m of which included a contribution of $24.5m from AJ Park.

Total Australian market patent filings increased by 4.0 per cent for the period. IPH Group's filings increased by 1.8 per cent (including AJ Park) however, filings for the pre-existing business were slightly below the prior corresponding period, reflecting our client mix and minor disruption as we fully integrated FAKC and Cullens into Spruson & Ferguson.

EBITDA was up by 25% to $30.1m at a margin of 35.6%. This includes the impact of favourable foreign exchange movements. On a like for like basis the EBITDA was up 4%, due to the merger of FAKC and Cullens into Spruson & Ferguson and improved margin in AJ Park.

Asian IP

The Asian IP segment sales revenue increased by $7.3m to $42.9m. On a like for like basis revenue has grown by 14%.

EBITDA was up by $3.4m, or 25%, which includes the impact of favourable foreign exchange movements. On a like for like basis EBITDA has grown by 17%.

On the latest available data the Group has maintained its number one patent market share position (all patent applications filed in Singapore).

Data and Analytics Software

The Group sold the Filing Analytics and Citation Eagle businesses to CPA Global Services on 15 August 2018 for $10m. As part of the sale Practice Insight entered a Transition Services Agreement with CPA to facilitate the transfer of the businesses. This agreement is due to end on 31 March 2019. Goodwill, acquired and developed software have been applied against the proceeds of sale and at 31 December 2018 a profit on sale of $2.1m has been recognised.

Corporate

The increase in the Corporate EBITDA includes FX losses of $1.4m arising on the revaluation of USD denominated debt (HY18 $600k gain). US$6.5m of the outstanding debt of US$26m was repaid during the period form the proceeds of the sale of the Practice Insight businesses.

Excluding the impacts of foreign exchange, corporate costs increased by $1.3m on the comparative period. The increase in corporate costs includes increased compensation costs as new executives were added during FY18, increased insurance costs and non-recurring Group level expenditure.

2.1.1 Adjustments to Statutory Results

Adjustments to the statutory EBITDA have been made for:

- **Business acquisition costs** – costs incurred in the pursuit of acquisitions which have been completed or are currently in progress
- **Business combination adjustments** – foreign exchange gains arising on the accounting for the AJ Park acquisition
- **Restructuring costs** – costs of restructuring across the Group predominately relating in the half year to the merger of FAKC and Cullens into Spruson & Ferguson; restructuring of certain aspects of AJ Park
- **New business establishment costs** – cost of establishing new offices
- **Share based payments** – accounting charges for the share based incentive plans.
- **Profit on sale of Practice Insight businesses** – disposal of the Filing Analytics and Citation Eagle businesses.

2.2 Statement of Financial Position

	Balance Sheet as at 31 Dec 2018	Balance Sheet as at 30 Jun 2018
$'m		
Cash and cash equivalents	29.4	26.2
Trade and other receivables	56.0	57.1
Other current assets	7.5	5.3
Total current assets	**92.9**	**88.6**
PP&E	6.1	6.2
Acquisition intangibles & goodwill	258.1	266.3
Deferred tax asset	5.8	6.6
Other non-current assets	0.2	0.2
Total assets	**363.1**	**367.9**
Trade and other payables	17.7	16.7
Tax provisions	5.5	6.3
Deferred tax liability	21.6	22.9
Borrowings	32.6	40.1
Other liabilities	11.9	14.3
Total liabilites	**89.3**	**100.3**
Net assets	**273.8**	**267.6**
Equity		
Issued capital	262.8	262.8
Reserves	(7.7)	(11.5)
Retained profits	18.7	16.3
Total equity	**273.8**	**267.6**

A summary of specific key movements are as follows:

Cash & cash equivalents

- The Group generated positive cash flows from operating activities of $26.8m.
- As at 31 December 2018 the cash balance was denominated in AUD (27%), USD (42%), SGD (13%), other (18%).

Acquisition intangibles & goodwill

- The decrease in intangible assets arises from the application of goodwill and software intangibes to the proceeds of the sale of the Practice Insight businesses.
- Identifiable intangible assets, net of amortisation, consist of: customer relationships $67.2m; trademarks $4.2m and internally developed software $2.6m.
- Goodwill resulting from acquisitions is $184m.

Liabilities

- Group borrowings of $32.6m have reduced from the comparative period due to the repayment of US$6.5m of the US$26m of debt used to fund the acquisition of AJ Park.

Equity

- There were no issues of shares during the half year. The increase in reserves relates primarily to the movementin the foreign currency translation reserve reflecting the significant movement in foreign exchange rates during the period.

3. Dividends

Since the end of the half year, the Directors have declared the payment of an interim ordinary dividend of 12.0 cents per share, of which 50% is a franked dividend. Going forward the Group expects dividends to be declared in the next financial year to be able to be franked at 40-60%.

4. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Andrew Blattman
Managing Director

14 February 2019
Sydney

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Australia

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14 February 2019

The Board of Directors
IPH Limited
Level 24, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

Dear Board Members

IPH 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 IPH Limited.

As lead audit partner for the review of the financial statements of IPH Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Tara Hill
Partner
Chartered Accountants

IPH LIMITED

ABN 49 169 015 838

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Revenue	3	121,544	98,844
Other income	4	3,417	2,405
Expenses			
Agent fee expenses		(35,714)	(28,928)
Employee benefits expense	5	(34,863)	(29,783)
Depreciation and amortisation expenses	5	(6,261)	(5,999)
Rental expenses		(4,147)	(3,331)
Insurance expenses		(1,002)	(441)
Travel expenses		(1,172)	(877)
Other expenses	5	(7,386)	(6,061)
Finance costs	5	(1,092)	(758)
Profit before income tax expense		**33,324**	**25,071**
Income tax expense		(9,154)	(5,332)
Profit after income tax expense for the year		**24,170**	**19,739**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		3,780	(451)
Other comprehensive income for the year, net of tax		3,780	(451)
Total comprehensive income for the year		**27,950**	**19,288**
Profit for the year is attributable to:			
Owners of IPH Limited		24,170	19,739
		24,170	**19,739**
Total comprehensive income for the year is attributable to:			
Owners of IPH Limited		27,950	19,288
		27,950	**19,288**
Earnings per share			
From continuing operations			
Basic earnings (cents per share)	8	12.26	10.10
Diluted earnings (cents per share)	8	12.16	10.05

The accompanying notes form part of these financial statements

IPH LIMITED

ABN 49 169 015 838

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Consolidated	
	Note	**31 Dec 2018**	**30 Jun 2018**
		$'000	**$'000**
Current assets			
Cash and cash equivalents		29,354	26,213
Trade and other receivables		56,072	57,112
Other		7,479	5,342
Total current assets		**92,905**	**88,667**
Non-current assets			
Property, plant and equipment		6,077	6,183
Intangibles	6	258,142	266,303
Other financial assets		180	180
Deferred tax		5,791	6,557
Total non-current assets		**270,190**	**279,223**
Total assets		**363,095**	**367,890**
Current liabilities			
Trade and other payables		17,652	16,722
Income tax		5,551	6,316
Provisions		6,498	8,052
Other financial liabilities		200	402
Deferred revenue		63	1,106
Total current liabilities		**29,964**	**32,598**
Non-current liabilities			
Borrowings	10	32,644	40,102
Other financial liabilities		4,811	4,471
Deferred tax		21,611	22,931
Provisions		271	200
Total non-current liabilities		**59,337**	**67,704**
Total liabilities		**89,301**	**100,302**
Net assets		**273,794**	**267,588**
Equity			
Issued capital	11	262,763	262,763
Reserves		(7,717)	(11,461)
Retained profits		18,748	16,286
Total equity attributable to the owners of IPH Limited		**273,794**	**267,588**

The accompanying notes form part of these financial statements

IPH LIMITED

ABN 49 169 015 838

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Issued Capital	Foreign Currency Translation Reserve	Minority Interest Reserve	Equity Settled Employee Benefits Reserve	Retained Profits	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017	**233,598**	**(166)**	**(14,850)**	**2,676**	**18,436**	**239,694**
Profit for the period	-	-	-	-	19,739	19,739
Effect of foreign exchange differences	-	(451)	-	-	-	(451)
Total comprehensive income for the period	**-**	**(451)**	**-**	**-**	**19,739**	**19,288**
Transactions with owners in their capacity as owners:						
Issue of ordinary shares as consideration for a business combination, net of transaction costs	27,036	-	-	-	-	27,036
Dividend Reinvestment plan (Note 7)	2,479	-	-	-	(2,479)	-
Share-based payments	-	-	-	850	-	850
Dividends paid	-	-	-	-	(17,655)	(17,655)
Balance at 31 December 2017	**263,113**	**(617)**	**(14,850)**	**3,526**	**18,041**	**269,213**
Balance at 1 July 2018	**262,763**	**1**	**(14,814)**	**3,352**	**16,286**	**267,588**
Profit for the period	-	-	-	-	24,170	24,170
Effect of foreign exchange differences	-	3,780	-	-	-	3,780
Total comprehensive income for the period	**-**	**3,780**	**-**	**-**	**24,170**	**27,950**
Transactions with owners in their capacity as owners:						
Share-based payments charge	-	-	-	1,059	-	1,059
Share-based payments vested	-	-	-	(1,095)	-	(1,095)
Dividends paid (Note 7)	-	-	-	-	(21,708)	(21,708)
Balance at 31 December 2018	**262,763**	**3,781**	**(14,814)**	**3,316**	**18,748**	**273,794**

The accompanying notes form part of these financial statements

IPH LIMITED

ABN 49 169 015 838

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

		Consolidated	
	Note	**31 Dec 2018**	**31 Dec 2017**
		$'000	**$'000**
Cash flows from operating activities			
Receipts from customers		151,592	110,380
Payments to suppliers and employees		(113,309)	(81,390)
Interest received		47	16
Interest and other finance costs paid		(1,092)	(759)
Income taxes paid		(10,473)	(9,953)
Net cash from operating activities		**26,765**	**18,294**
Cash flows from investing activities			
Payments for purchase of subsidiaries, net of cash acquired		-	(38,621)
Proceeds from sale of Practice Insight businesses	9	10,000	-
Payments for property, plant and equipment		(653)	(420)
Payments for internally developed software		(1,334)	(1,377)
Net cash from/(used in) investing activities		**8,013**	**(40,418)**
Cash flows from financing activities			
Dividends paid		(21,708)	(17,655)
Proceeds of borrowings		-	34,022
Repayment of borrowings		(9,095)	-
Net cash provided by/(used in) financing activities		**(30,803)**	**16,367**
Net increase/(decrease) in cash and cash equivalents		3,975	(5,757)
Cash and cash equivalents at the beginning of the financial period		26,213	24,398
Effects of exchange rate changes on cash and cash equivalents		(834)	(362)
Cash and cash equivalents at the end of the financial period		**29,354**	**18,279**

The accompanying notes form part of these financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 ‘Interim Financial Reporting’. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 ‘Interim Financial Reporting’. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

It is also recommended that the half-year financial report be considered together with any public announcements made by IPH Limited and its controlled entities during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations under the Corporations Act 2001.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument dated 24 March 2016, and in accordance with that Instrument amounts in the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company’s 2018 annual financial report for the financial year ended 30 June 2018, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Changes to Accounting Standards for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

AASB 15 'Revenue from Contracts with Customers'

The Group has adopted AASB 15 'Revenue from Contracts with Customers' from 1 July 2018. AASB 15 requries identification of discrete performance obligations within a transaction and an associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations which occur when control is transferred to the customer.

The Group provides professional services in relation to the protection, commercialisation, enforcement and management of all forms of intellectual property. Delivery of these services represent performance obligations. Upon completion of each performance obligation, which is satisfied at a point in time, the Group is entitled to payment for the services performed. Fees for completion of each performance obligation are determined by reference to a scale of charges and revenue is recognised, which remains consistent with the previous treatment under AASB 118. Disclosure of disaggregated revenue can be seen in Note 2.

There was no material change to retained earnings arising on adoption of the new standard.

AASB 9 'Financial Instruments'

The Group has adopted AASB 9 'Financial Instruments' from 1 July 2018. The Group has no complex financial instruments and does not apply hedge accounting. The primary impact is in relation to the calculation of impairment losses impacts the way the Group calculates the bad debts provision, now termed the credit loss allowance.

AASB 9 requires an expected loss model in relation to the determination of impairment of trade receivables. The Group's receivables balances are subject to the expected loss based on historical experience and an associated impairment charge is provided. Historical experience is considered an appropriate indicator of future credit losses. Trade receivables are written off when there is no reasonable expectation of recovery.

There was no material change to retained earnings arising on adoption of the new standard.

Accounting Standards and Interpretations in issue not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the period ended 31 December 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 16 'Leases'

This standard is currently applicable to annual reporting periods beginning on or after 1 January 2019. AASB 16 replaces the current AASB 117 'Leases' standard and sets out a comprehensive model for identifying lease arrangements and the subsequent measurement. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time. The majority of leases from the lessee perspective within the scope of AASB 16 will require the recognition of a "right of use" asset and a related lease liability, being the present value of future lease payments. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and depreciation replacing operating lease expense, with the exception of leases of low value assets and leases with a term of 12 months or less.

The Group expects to adopt the standard from 1 July 2019 and the primary impact from adoption will be the treatment of premises and leased office equipment across the Group. The adoption of the standard will increase net current assets and lease liabilities due to the recognition of the lease liability and right of use asset; expense relating to minimum lease payments will reduce and there will be an increase in interest expense. The most significant impact will be the present value of the operating lease commitments which at 30 June 2018 were $45.8m.

Comparatives

Where necessary, the comparatives have been amended to align with the current period presentation.

Note 2. Operating Segments

Identification of reportable operating segments

The Group is organised into three segments: Intellectual Property Services Australia & New Zealand; Intellectual Property Services Asia; and Data Analytics and Software. These operating segments are based on the internal reports that are reviewed and used by the senior executive team and Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews profit before interest, tax and adjustments to the statutory reported results. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information is reported to the CODM on at least a monthly basis.

Intersegment transactions

There are varying levels of integration between the segments. The integration includes provision of professional services, shared technology and management services. Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Note 2. Operating Segments (Continued)

Consolidated	Intellectual Property Services: Australia & New Zealand		Asia		Data and Analytics Software		Corporate		Intersegment eliminations / unallocated		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue												
Sales to external customers	80,148	64,136	41,395	34,706	-	-	-	-	-	-	121,544	98,842
Intersegment sales	402	236	1,669	1,060	-	-	-	-	(2,072)	(1,296)	-	-
Total sales revenue	80,551	64,372	43,065	35,766	-	-	-	-	(2,072)	(1,296)	121,544	98,842
Other revenue	4,123	3,278	(171)	(114)	317	557	(1,084)	606	(1,886)	(1,936)	1,298	2,390
Total revenue	**84,673**	**67,650**	**42,894**	**35,652**	**317**	**557**	**(1,084)**	**606**	**(3,958)**	**(3,232)**	**122,842**	**101,233**
Less: Overheads	(54,555)	(43,478)	(25,930)	(22,099)	(897)	(1,894)	(5,341)	(3,711)	4,300	3,175	(82,422)	(68,007)
Earnings before interest, tax, depreciation and amortisation (EBITDA), before adjustments	**30,119**	**24,173**	**16,965**	**13,553**	**(581)**	**(1,337)**	**(6,425)**	**(3,106)**	**342**	**(57)**	**40,420**	**33,226**
Less: Depreciation	(533)	(487)	(148)	(83)	(13)	(11)	(33)	(65)	-	-	(727)	(646)
Less: Amortisation	(4,252)	(3,534)	(565)	(488)	(312)	(930)	(416)	(412)	11	11	(5,534)	(5,353)
Less: Management Charges	969	-	(1,929)	-	-	-	960	-	-	-	-	-
Segment result: (Profit before interest, tax and adjustments)	**26,302**	**20,151**	**14,322**	**12,982**	**(906)**	**(2,279)**	**(5,913)**	**(3,583)**	**353**	**(46)**	**34,159**	**27,226**

	2018	2017
Reconciliation of segment result		
Segment result	34,159	27,226
Adjustments to statutory result:		
Business acquisition costs	(186)	(925)
Business acquisition adjustments	-	642
New business establishment costs	-	(172)
Restructuring expenses	(617)	(223)
Disposal of Practice Insight businesses	2,072	-
Share based payments	(1,058)	(735)
Total adjustments	210	(1,413)
Interest income	47	16
Finance Costs	(1,092)	(758)
Profit for the period before income tax expense	**33,324**	**25,071**

	2018	2017
Reconciliation of segment revenue		
Segment revenue	**122,842**	101,233
Profit from sale not included in segment revenue	**2,072**	-
Interest income	**47**	16
Total revenue	**124,961**	**101,249**

Note 3. Revenue

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Service fees	82,772	65,799
Recoverable disbursements	38,772	33,045
	121,544	**98,844**

Note 4. Other Income

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Net Realised foreign exchange gain/(loss)	1,023	(270)
Net Unrealised foreign exchange (loss)/gain	(814)	812
Other income	387	1,105
Profit on sale of Practice Insight businesses	2,072	-
Commission	702	742
Interest	47	16
	3,417	**2,405**

Note 5. Expenses

Profit before income tax includes the following specific expenses:

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Depreciation and amortisation		
Depreciation of property, plant and equipment	727	646
Amortisation - Acquired Intangibles	4,706	4,380
Amortisation - Software Development	828	973
	6,261	5,999
Employee benefits expense		
Included in Employee benefits expense is:		
Share based payments	1,058	735
Other expenses		
Professional Fees	1,507	995
IT & Communication	1,494	986
Office Expenses	766	788
Other expenses	3,619	3,292
	7,386	6,061
Finance costs		
Interest on bank facilities	826	177
Other interest expense - Facility fees	266	581
	1,092	**758**

Note 6. Intangible Assets

	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Goodwill - at cost	184,161	185,223
Patents and trade marks - at cost	4,157	4,237
	188,318	**189,460**
Capitalised software development - at cost	6,086	8,871
Less: Accumulated amortisation	(3,505)	(4,648)
	2,581	**4,223**
Software Acquired	-	3,805
Less: Accumulated amortisation	-	(3,015)
	-	**790**
Customer Relationships	90,950	90,950
Less: Accumulated amortisation	(23,707)	(19,120)
	67,243	**71,830**
	258,142	**266,303**

Reconciliation of carrying amount

Consolidated	**Goodwill** $'000	**Patents and trade marks** $'000	**Customer relationships** $'000	**Capitalised software** $'000	**Software acquired** $'000	**Total** $'000
Balance at 1 July 2017	144,570	3,519	59,928	3,168	1,741	212,926
Additions	-	-	-	3,269	-	3,269
Additions through business combinations	40,639	2,866	20,313	-	-	63,818
Exchange differences	14	-	-	18	-	32
Impairment[1]	-	(2,148)	-	-	-	
Amortisation expense	-	-	(8,411)	(2,232)	(951)	(11,594)
Balance at 30 June 2018	**185,223**	**4,237**	**71,830**	**4,223**	**790**	**266,303**
Additions	-	-	-	1,333	-	1,333
Additions through business combinations	-	-	-	-	-	-
Exchange differences	2,772	-	-	-	-	2,772
Disposals / Transfers[2]	(3,834)	(80)	-	(2,147)	(671)	(6,732)
Amortisation expense	-	-	(4,587)	(828)	(119)	(5,534)
Balance at 31 December 2018	**184,161**	**4,157**	**67,243**	**2,581**	**-**	**258,142**

1. On 30 June 2018 FAKC and Cullens were merged with Spruson & Ferguson Australia and will operate under the Spruson & Ferguson name. As a result, the intangible asset relating to the former FAKC and Cullens trademarks has been assessed as having no ongoing economic benefit and hence has been written off.

2. Practice Insight disposed of the Filing Analytics and Citation Eagle businesses on 15th August 2018. The goodwill, capitalised software and acquired software in Practice Insight was applied against the proceeds of the sale (Refer Note 9).

Pizzeys

At 31 December 2018 total intangibles of $85.5m is allocated to the Pizzeys cash generating unit ("CGU") and has been tested for impairment this period. The recoverable amount of the CGU has been determined using a value-in-use calculation using cash flow projections based on financial budgets prepared by management and approved by the Board. Cash flows for future years are extrapolated using the estimated growth rates stated below. After five years a terminal growth rate is assumed and terminal value-in-use calculated.

The key assumptions used for the value-in-use calculation at 31 December 2018 are as follows:

	5 yr EBITDA CAGR		Terminal growth rates	Discount rates	
				Pre-Tax	Post-Tax
	31 Dec 2018	30 Jun 2018	31 Dec 2018 & 30 Jun 2018		
	%	%	%	%	%
Pizzeys	8.0	6.2	2.5	15.0	10.5

Sensitivity Analysis

Sensitivity analysis has been conducted on the assumptions above to assess the effect on the recoverable amount of changes in the key assumptions. A decrease of the EBITDA CAGR by 1.9% or an increase in the post tax discount rate of 0.3% would result in the carrying value of the Pizzeys CGU to equal the recoverable amount.

Note 7. Dividends

During the half-year, IPH Limited made the following dividend payments:

	Cents per share	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
Final dividend			
June 2017 - paid 13 September 2017	10.5	-	20,134
June 2018 - paid 13 September 2018	10.5	21,708	-

On 14 February 2019, the Company declared an interim dividend of 12.0 cents per share (franked at 6.0 cents) to be paid on 13 March 2019. The dividend value is $23,681,000. No provision for this dividend has been recognised in the Statement of Financial Position as at 31 December 2018, as it was declared after the end of the financial period.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan did not operate during the half year.

Note 8. Earnings per share

	Consolidated 31 Dec 2018 $'000	31 Dec 2017 $'000
Profit after income tax	24,170	19,739
Profit after income tax attributable to the owners of IPH Limited	**24,170**	**19,739**
	Number	**Number**
Basic earnings per share - Weighted average number of ordinary shares[1]	197,177,367	195,429,220
Options over ordinary shares	1,546,302	909,692
Diluted earnings per share - Weighted average number of ordinary shares[1]	198,723,669	196,338,912
	Cents	**Cents**
Basic earnings per share	12.26	10.10
Diluted earnings per share	12.16	10.05

1. Excludes shares held in the Employee Share Trust (note 11)

Note 9. Sale of Practice Insight Businesses

On 15 August 2018, a wholly owned subsidiary, Practice Insight Pty Ltd, sold its Filing Analytics and Citation Eagle businesses to CPA Global Services Limited for $10 million. Practice Insight has entered into an agreement to provide transition assistance which is due to conclude during second half of the financial year. As at 31 December 2018 a profit of $2,072,000 arising from the sale has been recognised at 31 December 2018 comprising the following:

	$'000
Proceeds from sale	10,000
Less disposed assets:	
Goodwill	(3,834)
Acquired Intangibles	(671)
Software	(2,147)
Trademarks	(80)
Less costs of sale:	
Estimated transaction costs[1]	(1,196)
Net profit on sale after transaction costs	**2,072**

1. Estimated transaction costs at 31 December 2018 as the Transition Services Agreement is in operation until March 2019. Final transaction costs will be determined at the end of the transition period.

Note 10. Borrowings

	Consolidated	
	31 Dec 2018	**30 Jun 2018**
Non Current	**$'000**	**$'000**
Bank Overdraft	-	-
Multi-option facility	32,644	40,102
	32,644	**40,102**

The Group has a $94m Multi-option facility agreement with Australian and New Zealand Banking Group Limited ('ANZ') with a maturity date of 1 January 2021

Note 11. Equity - Issued Capital

	Consolidated		Consolidated	
	31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 $'000	30 Jun 2018 $'000
Ordinary Class shares - fully paid	197,341,566	197,341,566	262,764	262,764
	197,341,566	**197,341,566**	**262,764**	**262,764**

Movements in ordinary share capital

	Date	Shares	$'000
Opening balance	1 July 2017	191,688,526	233,598
Retention rights exercised	11 July 2017	57,519	-
Dividend reinvestment - final dividend (Note 24)	13 September 2017	550,929	2,479
Performance rights exercised	19 October 2017	310,128	-
Acquisition of AJ Park Ltd[1]	31 October 2017	4,621,547	27,036
Retention rights exercised	22 November 2017	47,619	-
Performance rights exercised	23 February 2018	4,000	-
Dividend reinvestment - interim dividend (Note 24)	14 March 2018	683,114	2,377
Shares bought back during the period		(621,816)	(2,727)
Balance at 30 June 2018		**197,341,566**	**262,764**
Balance at 31 December 2018		**197,341,566**	**262,764**

1. Final Settlement

Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Employee Share Trust

On 1 July 2017, IPH established the Employee Share Trust for the purpose of acquiring and allocating shares granted through the IPH Employee Incentive Plan. As at 31 December 2018, the number of shares held by the trust was 182,838.

Note 12. Events Subsequent to Reporting Date

On 11 February 2019 the Group re-financed its existing debt facilities with HSBC and Westpac. As a result, the Group increased its facility limits from $94m to $210m.

On 13 February 2019 IPH announced it had acquired an equity interest of approximately 19.9% in Xenith IP Group Limited for $1.85 per share at a total cost of approximately $33m which has been funded from debt facilities.

IPH LIMITED
ABN 49 169 015 838
DIRECTORS DECLARATION

The directors declare that:

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

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

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, 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.

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

Andrew Blattman
Managing Director
14 February 2019
Sydney

Deloitte.

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Independent Auditor's Review Report to the Members of IPH Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of IPH Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2018, and the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 21.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of IPH Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Tara Hill
Partner
Chartered Accountants
Sydney, 14 February 2019