

IPH Limited

ACN 169 015 838

Appendix 4D – Half Yearly Financial Report

Half Year ended 31 December 2020 (“HY21”) Results for announcement to the market

Results	Change			HY21 \$'000	HY20 \$'000
Revenue from ordinary activities	Unchanged			179,820	179,825
Profit from ordinary activities after tax attributable to members	Down	1.4%	to	26,798	27,169
Profit for the period attributable to members	Down	1.4%	to	26,798	27,169

Dividends	Amount per Share	Franked amount per Share
Half year ended 31 December 2020 - Interim dividend	14c	7c
Half year ended 31 December 2019 - Interim dividend	13.5c	13.5c
Interim Dividend sourced from Conduit Foreign Income		7c
Record date for determining entitlements to the dividend		24 February 2021

The Dividend Reinvestment Plan will be in operation for the HY21 interim dividend

Other	HY21	HY20
Net tangible asset backing per share	\$(0.08)	\$(0.16)

Explanation of Result

Please refer to the commentary in the Directors' Report included in the Half Year Financial Report for an explanation of the result.

Additional information requiring disclosure under listing rule 4.2A.3 is contained in the Half Year Financial Report.

IPH Limited and its Controlled Entities Half Year Financial Report

For the Half Year ended 31 December 2020



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 2020.

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's intellectual property businesses comprise leading IP firms AJ Park, Griffith Hack, Pizzeys, Shelston IP and Spruson & Ferguson, which provide services for the protection, commercialisation, enforcement and management of all forms of intellectual property including patents, trade marks and designs. IPH also operates in adjacent areas of IP through the WiseTime business. In the comparative period this also included Glasshouse Advisory (acquired as a subsidiary of Xenith IP Group Ltd, which was subsequently closed down in May 2020).

The IPH group employs approximately 900 people across the Asia-Pacific region. IPH was the first IP services group to list on the Australian Securities Exchange.

Directors

The following persons were Directors of IPH Limited during the whole of the financial half-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
Ms Jingmin Qian	Non-executive Director



Operational and Financial Review

Operations and Financial Performance

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

The HY21 underlying earnings of the Group have been determined by adding back to statutory earnings amounts eliminating the effect of business acquisition costs, restructuring costs and non-cash share-based payments expenses.

	Revenue HY21	Revenue HY20	Chg%	EBITDA HY21	EBITDA HY20	Chg%
Australian & New Zealand IP	135,585	133,829	1%	45,242	46,630	(3%)
Asian IP	47,335	50,554	(6%)	20,987	21,625	(3%)
	182,920	184,383	(1%)	66,229	68,255	(3%)
Adjacent Businesses	245	1,273		(34)	(1,147)	
Corporate Office	3,266	899		(4,397)	(6,188)	
Eliminations	(6,637)	(7,241)		(84)	(544)	
Underlying Revenue / EBITDA	179,794	179,314	0%	61,714	60,376	2%
Business acquisition costs				(1,102)	(491)	
Restructuring expenses		470		(1,255)	(750)	
Share-based payments				(2,654)	(1,691)	
Statutory Revenue / EBITDA	179,794	179,784	0%	56,703	57,444	(1%)
Interest income				26	41	
Interest expense				(2,878)	(3,513)	
Depreciation and amortisation				(18,762)	(16,226)	
Net Profit Before Tax				35,089	37,746	(7%)
Tax				(8,291)	(10,577)	
Net Profit After Tax				26,798	27,169	(1%)

Statutory Results

Revenue of \$179.8m was flat on the prior corresponding period. This reflected growth from the Xenith IP Group and Baldwins Intellectual Property acquisitions offset by the impact of a higher Australian dollar than the prior comparative period, and the shorter term impact of COVID-19.



EBITDA decreased by 1% to \$56.7m from \$57.4m in HY20.

The Group delivered a statutory net profit after tax of \$26.8m, a decrease of 1% from the prior year's result of \$27.2m. Underlying EBITDA of \$61.7m increased by 2% from the prior corresponding period.

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 a significant proportion 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 2020 the balance sheet contained US\$30.7m in cash and US\$35.0m in receivables. These US denominated assets were offset by US\$19.5m of drawn debt.

The net unrealised gain arising from assets and liabilities denominated in foreign currencies totals \$3.3m compared to a loss of \$279k in the comparative period.

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

	AUD/USD	AUD/EUR	AUD/SGD
31 December 2019	0.7013	0.6253	0.9439
30 June 2020	0.6877	0.6124	0.9591
31 December 2020	0.7708	0.6285	1.0189

(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 invoiced 54% of its revenue in USD during the current period, with a relatively low proportion of USD denominated expenses.

The average exchange rate at which this USD revenue was derived during the six months to 31 December 2020 was 0.7232, while in the comparative period it was 0.6848.

Realised foreign exchange losses of \$5.3m were recognised in the P&L account during the half year.



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

	AUD/USD	AUD/EUR	AUD/SGD
HY20	0.6848	0.6171	0.9373
HY21	0.7232	0.6124	0.9836
Movement	5.6%	(0.7%)	4.9%

Australian & New Zealand IP

The Australian & New Zealand IP segment achieved sales revenue growth of 1% to \$135.6m, which includes a full half year for the former Xenith IP Group and the impact of the acquisition of Baldwins from mid-October 2020.

Total Australian market patent filings (excluding Innovation Patents which will no longer be available from August 2021) decreased by 0.5% for the period. IPH Group's filings (including Baldwins IP on a pro-forma basis and excluding innovation patents) declined by 5.7%. There were no significant client losses during the period. IPH has the local market's largest exposure to US-based clients and, as expected, some of these clients filed less during the COVID-19 disruption with IPH filings originating from US clients down 1% for the period.

Underlying EBITDA decreased by 3% to \$45.2m at a margin of 33%. This includes the impact of unfavourable foreign exchange movements. EBITDA margin decreased slightly on the prior corresponding period due to the short-term disruption of COVID-19 which impacted filings and the integration of the Watermark brand into Griffith Hack.

The like-for-like basis excludes the impact of foreign exchange, 1.5 months of Xenith IP Group before it was acquired on 15 August 2019 and 2.5 months of Baldwins from acquisition. On a like-for-like basis EBITDA increased by 2% from continued margin accretion and cost synergies realised from the acquired Xenith businesses.

Asian IP

The Asian IP segment sales revenue decreased by 6% to \$47.3m. On a like-for-like basis revenue decreased by 1%. While revenue was slightly down on the prior period, the Group continued to generate margin accretive earnings from leveraging its extensive network across the region, including increased client referrals from Australian/New Zealand businesses.

EBITDA decreased by 3% to \$21.0m which includes the impact of unfavourable foreign exchange movements. On a like-for-like basis EBITDA increased by 6%.

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



Adjacent Businesses

Adjacent businesses include the autonomous time keeping software tool, WiseTime. In the comparative period this also included Glasshouse Advisory (an acquired Xenith subsidiary), which was subsequently closed down in May 2020.

Corporate Office

Excluding the impacts of foreign exchange, corporate costs decreased by \$1.1m from the comparative period, reflecting the elimination of the former Xenith IP Group corporate costs.

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. This predominately included the acquisition of Baldwins Intellectual Property in the current period.
- **Restructuring costs** – costs of restructuring across the Group. This predominately included the costs associated with the integration of the Watermark brand into Griffith Hack in the current period.
- **Share-based payments** – accounting charges for the share-based incentive plans.

Dividends

Since the end of the half year, the Directors have declared the payment of an interim ordinary dividend of 14.0 cents per share, franked at 50%. This represents 85% of cash adjusted NPAT (this is NPAT adjusted for net acquisition intangibles amortisation, net share-based payment expense and cash rent paid).

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.



Dr Andrew Blattman

Managing Director

18 February 2021

Sydney



18 February 2021

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

Dear Board Members

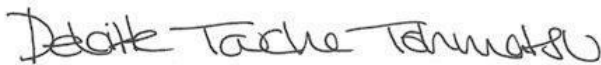
Auditor's Independence Declaration to IPH Limited

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 half year financial report of IPH Limited for the half year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



H Fortescue
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 2020

		Consolidated	
	Note	31 Dec 2020	31 Dec 2019
		\$'000	\$'000
Revenue	4	179,721	178,040
Other income	5	99	1,785
Expenses			
Agent fee expenses		(52,294)	(51,497)
Amortisation of acquired intangibles	6	(10,767)	(9,116)
Depreciation and amortisation of fixed assets and intangibles	6	(3,551)	(2,233)
Depreciation of right-of-use assets	6	(4,444)	(4,877)
Employee benefits expense	6	(57,288)	(55,801)
Finance costs	6	(2,878)	(3,513)
Insurance expenses		(1,186)	(1,407)
Occupancy expenses		(978)	(943)
Travel expenses		(34)	(1,580)
Other expenses	6	(11,311)	(11,112)
Profit before income tax expense		35,089	37,746
Income tax expense		(8,291)	(10,577)
Profit after income tax expense for the year		26,798	27,169
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(6,797)	977
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Fair value gain on investment in equity instruments		-	855
Fair value gain on hedging instruments		10	-
Other comprehensive income for the year, net of tax		(6,787)	1,832
Total comprehensive income for the year		20,011	29,001
Profit for the year is attributable to:			
Owners of IPH Limited		26,798	27,169
		26,798	27,169
Total comprehensive income for the year is attributable to:			
Owners of IPH Limited		20,011	29,001
		20,011	29,001
Earnings per share			
From continuing operations			
Basic earnings (cents per share)	9	12.44	12.97
Diluted earnings (cents per share)	9	12.40	12.91

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 2020

		Consolidated	
	Note	31 Dec 2020	30 June 2020
		\$'000	\$'000
Current assets			
Cash and cash equivalents		59,777	82,910
Trade and other receivables		69,562	89,132
Contract assets		10,899	4,763
Other assets		4,498	4,254
Total current assets		144,736	181,059
Non-current assets			
Property, plant and equipment		12,708	13,273
Right-of-use assets		35,200	38,808
Intangibles	7	477,500	483,259
Deferred tax		15,943	22,709
Total non-current assets		541,351	558,049
Total assets		686,087	739,108
Current liabilities			
Trade and other payables		19,405	24,733
Income tax payable		3,125	3,270
Interest bearing lease liabilities		10,948	11,076
Provisions		17,579	19,160
Contract liabilities		2,385	1,803
Other financial liabilities		200	200
Total current liabilities		53,642	60,242
Non-current liabilities			
Borrowings	11	115,481	151,238
Deferred tax		55,489	60,397
Interest bearing lease liabilities		38,006	42,587
Provisions		1,145	1,208
Other financial liabilities		761	774
Total non-current liabilities		210,882	256,204
Total liabilities		264,524	316,446
Net assets		421,563	422,662
Equity			
Issued capital	12	411,058	402,149
Reserves		(4,179)	468
Retained profits		14,684	20,045
Total equity attributable to the owners of IPH Limited		421,563	422,662

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 2020

	Issued Capital	Foreign Currency Translation Reserve	Minority Interest Acquisition Reserve	Equity Settled Employee Benefits Reserve	Other Reserve	Retained Profits	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	262,763	3,858	(14,814)	4,453	4,478	24,012	284,750
AASB 16 transitional impact on retained earnings	-	-	-	-	-	(2,183)	(2,183)
Adjusted opening balance at 1 July 2019	262,763	3,858	(14,814)	4,453	4,478	21,829	282,567
Profit after income tax expense for the period	-	-	-	-	-	27,169	27,169
Fair value gain on investment in equity instruments designated at FVTOCI	-	-	-	-	855	-	855
Effect of foreign exchange differences	-	977	-	-	-	-	977
Total comprehensive income for the period	-	977	-	-	855	27,169	29,001
<i>Transactions with owners in their capacity as owners:</i>							
Issue of ordinary shares as consideration for a business combination, net of transaction costs (note 10)	130,730	-	-	-	-	-	130,730
Dividend reinvestment plan	2,879	-	-	-	-	-	2,879
Share-based payments charge	-	-	-	1,691	-	-	1,691
Dividends paid (note 8)	-	-	-	-	-	(27,680)	(27,680)
Balance at 31 December 2019	396,372	4,835	(14,814)	6,144	5,333	21,318	419,188
Balance at 1 July 2020	402,149	3,342	(14,814)	7,149	4,791	20,045	422,662
Profit after income tax expense for the period	-	-	-	-	-	26,798	26,798
Effect of foreign exchange differences	-	(6,797)	-	-	-	-	(6,797)
Hedge revaluation	-	-	-	-	10	-	10
Total comprehensive income for the period	-	(6,797)	-	-	10	26,798	20,011
<i>Transactions with owners in their capacity as owners:</i>							
Dividend reinvestment plan (note 8)	6,461	-	-	-	-	-	6,461
Share-based payments charge	-	-	-	2,140	-	-	2,140
Dividends paid (note 8)	-	-	-	-	-	(32,159)	(32,159)
Issue of ordinary shares as consideration for a business combination, net of transaction costs (note 10)	2,448	-	-	-	-	-	2,448
Balance at 31 December 2020	411,058	(3,455)	(14,814)	9,289	4,801	14,684	421,563

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 2020

		Consolidated	
	Note	31 Dec 2020	31 Dec 2019
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		209,976	206,068
Payments to suppliers and employees		(147,147)	(149,713)
Interest received	5	26	41
Interest and other finance costs paid	6	(1,853)	(2,421)
Income taxes paid		(8,984)	(16,559)
Net cash from operating activities		52,018	37,416
Cash flows from investing activities			
Payments for purchase of subsidiaries, net of cash acquired	10	(4,659)	(40,324)
Payments for property, plant and equipment		(1,086)	(730)
Payments for internally developed software	7	(2,266)	(1,515)
Net cash used in investing activities		(8,011)	(42,569)
Cash flows from financing activities			
Dividends paid	8	(25,697)	(24,801)
Proceeds from borrowings		-	70,183
Repayment of borrowings		(32,700)	(26,107)
Payment of lease liabilities		(6,554)	(5,459)
Net cash (used in)/from financing activities		(64,951)	13,816
Net (decrease)/increase in cash and cash equivalents		(20,944)	8,663
Cash and cash equivalents at the beginning of the financial period		82,910	35,263
Effects of exchange rate changes on cash and cash equivalents		(2,189)	(213)
Cash and cash equivalents at the end of the financial period		59,777	43,713

The accompanying notes form part of these financial statements

IPH LIMITED
ABN 49 169 015 838
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

1. General information

IPH Limited ("Company") is a for-profit listed public company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange ("ASX"). The condensed consolidated financial statements of the Company for the half-year ended 31 December 2020 ("the interim financial report") comprises the Company and its controlled entities ("Group"). IPH Limited is the ultimate parent entity in the Group.

The financial statements were authorised for issue in accordance with a resolution of Directors, on 18 February 2021.

2. Significant accounting policies

Basis of preparation

This general purpose interim financial report has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the annual financial report.

It is recommended that the interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and considered with any public announcements made by the Company during the half-year ended 31 December 2020 in accordance with the continuous disclosure obligations of the ASX listing rules.

The interim financial report has 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 accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2020, 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.

No new or revised Standards and Interpretations effective for the period under review are considered to materially impact the Company.

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 2020.

Rounding of amounts

The Company is of a 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 interim financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Prior period reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation and to align with the IPH Limited financial report. These reclassifications had no effect on the reported results of the Company.

Note 3. 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 Adjacent Businesses. Adjacent Businesses at 31 December 2020 include the operations of Wisetime. In the comparative period Adjacent Businesses also included Glasshouse Advisory (acquired as a subsidiary of Xenith IP Group Ltd, which was subsequently transferred and closed down in May 2020). 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 review 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.

IPH LIMITED
ABN 49 169 015 838
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 3. Operating segments (continued)

Consolidated	Intellectual Property Services								Intersegment Eliminations / Unallocated		Total	
	Australia & New Zealand		Asia		Adjacent Businesses		Corporate		2020	2019	2020	2019
	2020	2019	2020	2019	2020	2019	2020	2019				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue												
Sales to external customers	133,601	127,928	46,120	48,900	-	1,212	-	-	-	-	179,721	178,040
Intersegment sales	438	964	2,590	2,489	-	-	-	-	(3,028)	(3,453)	-	-
Total sales revenue	134,039	128,892	48,710	51,389	-	1,212	-	-	(3,028)	(3,453)	179,721	178,040
Other revenue	1,546	4,937	(1,375)	(835)	245	61	3,266	899	(3,609)	(3,788)	73	1,274
Total revenue	135,585	133,829	47,335	50,554	245	1,273	3,266	899	(6,637)	(7,241)	179,794	179,314
Less: Overheads	(90,343)	(87,199)	(26,348)	(28,929)	(279)	(2,420)	(7,663)	(7,086)	6,553	6,697	(118,080)	(118,937)
Earnings before interest, tax, depreciation and amortisation (EBITDA), before adjustments	45,242	46,630	20,987	21,625	(34)	(1,147)	(4,397)	(6,187)	(84)	(544)	61,714	60,377
Less: Depreciation	(4,808)	(4,776)	(1,205)	(1,144)	(46)	(167)	(92)	(112)	-	-	(6,151)	(6,199)
Less: Amortisation	(10,487)	(8,865)	(647)	(636)	(1,029)	(42)	(459)	(496)	11	12	(12,611)	(10,027)
Less: Management Charges	2,790	62	(5,336)	(3,805)	-	-	2,463	3,733	83	9	-	-
Segment result: (Profit before interest, tax and adjustments)	32,737	33,051	13,799	16,040	(1,109)	(1,356)	(2,485)	(3,062)	10	(523)	42,952	44,150
Reconciliation of segment result												
Segment result											42,952	44,150
Adjustments to statutory result:												
Business acquisition costs											(1,102)	(491)
Restructuring expenses											(1,255)	(750)
Share-based payments											(2,654)	(1,691)
Total adjustments											(5,011)	(2,932)
Interest income											26	41
Finance costs											(2,878)	(3,513)
Profit for the period before income tax expense											35,089	37,746
Reconciliation of segment revenue												
Segment revenue											179,794	179,314
Business acquisition costs											-	470
Interest income											26	41
Total revenue											179,820	179,825

IPH LIMITED
ABN 49 169 015 838
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2020

Note 4. Sales revenue

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Revenue from the rendering of services	179,721	178,040
	179,721	178,040

Note 5. Other income

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Commission	1,283	1,281
Interest	26	41
Net realised foreign exchange gain / (loss)	(5,302)	(289)
Net unrealised foreign exchange gain / (loss)	3,277	(279)
Other	815	1,031
	99	1,785

Note 6. Expenses

Profit before income tax includes the following specific expenses:

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Depreciation and amortisation		
Amortisation of acquired intangibles	10,767	9,116
Depreciation and amortisation of fixed assets and intangibles:		
Amortisation of software development	1,844	911
Depreciation of property, plant and equipment	1,707	1,322
	3,551	2,233
Depreciation of right-of-use assets	4,444	4,877
	18,762	16,226
Employee benefits expense		
Included in employee benefits expense is:		
Share-based payments	2,654	1,691
Government COVID-19 stimulus grants ¹	(1,028)	-
Finance costs		
Bank loan facility fees	459	636
Interest on bank facilities	1,394	1,785
Interest on lease contracts	1,025	1,092
	2,878	3,513
Other expenses		
Advertising and marketing	479	543
Bank charges	473	326
IT and communication	3,143	2,555
Office expenses	958	998
Professional fees	1,237	2,431
Staff training and welfare	750	1,697
Other	4,271	2,562
	11,311	11,112

1. Grants received from Asian governments in response to the impact of COVID-19.

IPH LIMITED
ABN 49 169 015 838
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Note 7. Intangible assets

	Consolidated	
	31 Dec 2020	30 June 2020
	\$'000	\$'000
Goodwill - at cost	295,873	298,038
Patents and trademarks - at cost	17,229	17,232
	313,102	315,270
Capitalised software development - at cost	12,956	10,792
Less: Accumulated amortisation	(7,796)	(6,022)
	5,160	4,770
Customer relationships	218,793	212,011
Less: Accumulated amortisation	(58,594)	(47,831)
Less: Impairment	(961)	(961)
	159,238	163,219
	477,500	483,259

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous reporting period are set out below:

Consolidated

	Goodwill	Patents and trademarks	Customer relationships	Capitalised software development	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	184,648	4,189	62,735	3,481	255,053
Additions	-	43	-	3,003	3,046
Additions through business combinations (note 10)	113,920	14,600	120,100	-	248,620
Amortisation expense	-	-	(19,616)	(1,708)	(21,324)
Exchange differences	(530)	-	-	(6)	(536)
Impairment	-	(1,600)	-	-	(1,600)
Balance at 30 June 2020	298,038	17,232	163,219	4,770	483,259
Additions	-	1	-	2,265	2,266
Additions through business combinations (note 10)	1,986	-	6,756	-	8,742
Amortisation expense	-	(4)	(10,763)	(1,844)	(12,611)
Exchange differences	(4,151)	-	26	(31)	(4,156)
Balance at 31 December 2020	295,873	17,229	159,238	5,160	477,500

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Note 8. Dividends

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

	Cents per share	Consolidated 31 Dec 2020 \$'000	31 Dec 2019 \$'000
Final dividend			
June 2019 - paid 18 September 2019	13.0	-	27,680
June 2020 - paid 18 September 2020	15.0	32,159	-

On 18 February 2021, the Company declared an interim dividend of 14 cents per share (franked at 50%) to be paid on 19 March 2021. The dividend value is \$30,272,916. No provision for this dividend has been recognised in the Statement of Financial Position as at 31 December 2020, as it was declared after the end of the financial period.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan was active for the final dividend paid on 18 September 2020. 950,862 shares were issued to participants at \$6.80 per share totalling \$6,460,695.

Note 9. Earnings per share

	Consolidated 31 Dec 2020 \$'000	31 Dec 2019 \$'000
Profit after income tax	26,798	27,169
Profit after income tax attributable to the owners of IPH Limited	26,798	27,169

	Number	Number
Basic earnings per share - Weighted average number of ordinary shares	215,405,630	209,548,381
Options over ordinary shares	667,312	846,085
Diluted earnings per share - Weighted average number of ordinary shares	216,072,942	210,394,466
	Cents	Cents
Basic earnings per share	12.44	12.97
Diluted earnings per share	12.40	12.91

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Note 10. Business combinations

Baldwins Intellectual Property

On 16 October 2020 the Group completed the acquisition of New Zealand intellectual property firm Baldwins Intellectual Property (Baldwins). The transaction was effected by the Group's subsidiary, AJ Park IP, acquiring the patent attorney business of Baldwins and the benefits of Baldwins' legal business through the acquisition of that legal business by AJ Park IP's allied law firm, AJ Park Law. The final agreed purchase price was NZ\$7,500,000.

Established in 1896, Baldwins is a well-known New Zealand IP firm, with four partners and other high quality IP professional staff working from Auckland and Wellington offices. Clients include large multi-national corporations, universities, government agencies, start-ups and individual inventors.

The initial accounting for the acquisition has only been provisionally determined at the end of the reporting period.

Equity instruments issued

A\$2,447,288 of the purchase price was settled by way of the issue of 335,016 ordinary shares in IPH to the vendors of Baldwins (with those shares being escrowed for two years). The shares issued have been recorded in the financial statements at the acquisition date fair value of \$7.31 per share.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

	\$'000
Cash	4,659
Equity instruments (335,016 ordinary shares)	2,447
Total consideration transferred	7,106

The Group incurred acquisition costs of \$972,932. These costs have been included in business acquisition expenses in the Statement of Profit or Loss.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Fair value
	\$'000
Contract assets	208
Other assets	126
Property, plant and equipment	191
Right-of-use assets	1,186
Intangible assets - customer relationships	6,756
Trade and other payables	(87)
Provisions	(182)
Deferred tax liability	(1,892)
Interest bearing lease liabilities	(1,186)
Net assets acquired	5,120
Goodwill	1,986
Acquisition-date fair value of total consideration transferred	7,106
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of total consideration transferred	7,106
Less: shares issued by company as part of consideration	(2,447)
Net cash used	4,659

Xenith IP Group Ltd

On 15 August 2019, the Group acquired the remaining 80.1% of ordinary shares of Xenith IP Group Limited which it did not already own under the terms of a Scheme of Arrangement.

The final accounting for the acquisition was finalised during the previous financial year. There were no acquisition adjustments recorded during the half year ended 31 December 2020.

IPH LIMITED
ABN 49 169 015 838
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Note 11. Borrowings

	Consolidated	
	31 Dec 2020	30 June 2020
	\$'000	\$'000
Non-current		
Multicurrency loan facility	115,481	151,238
	115,481	151,238

The Group has a facilities agreement ('Agreement') with HSBC and Westpac. The facilities under the Agreement comprise:

- A \$90m multicurrency revolving loan facility;
- A \$100m acquisition term loan facility; and
- A \$20m revolving credit facility for the general corporate purposes of the Group.

The Agreement has a term of 3 years maturing on 11th February 2022

Note 12. Equity - issued capital

	Consolidated		Consolidated	
	31 Dec 2020	30 June 2020	31 Dec 2020	30 June 2020
	Shares	Shares	\$'000	\$'000
Ordinary Class shares - fully paid	216,235,113	214,396,164	411,058	402,149
	216,235,113	214,396,164	411,058	402,149

Movements in ordinary share capital

	Date	Shares	\$'000
Opening balance	1 July 2019	197,341,566	262,763
Acquisition of Xenith IP Group Ltd (note 10)	15 August 2019	15,581,683	130,730
Performance and retention rights exercised	28 August 2019	510,320	-
Dividend reinvestment - final dividend (note 8)	18 September 2019	307,613	2,879
Dividend reinvestment - interim dividend	13 March 2020	654,982	5,777
Balance at 30 June 2020		214,396,164	402,149
Performance and retention rights exercised	11 September 2020	553,071	-
Dividend reinvestment - final dividend (note 8)	18 September 2020	950,862	6,461
Acquisition of Baldwins Intellectual Property (note 10)	16 October 2020	335,016	2,448
Balance at 31 December 2020		216,235,113	411,058

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.

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 2020, the number of shares held by the trust was 880,251 (30 June 2020: 579,154).

Note 13. Events subsequent to reporting date

There were no significant events post 31 December 2020 that have impacted on the Group.

IPH LIMITED
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DIRECTORS DECLARATION

In the opinion of the Directors of IPH Limited:

- (a) 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) 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; and
- (c) 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*.



Dr Andrew Blattman
Managing Director
18 February 2021
Sydney

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

Conclusion

We have reviewed the half-year financial report of IPH Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 2020 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*.

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*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with 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, would be in the same terms if given to the directors as at the time of this auditor's review report.

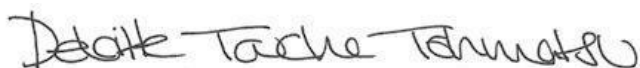
Directors' Responsibilities for the Half-year Financial Report

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 Responsibilities for the Review of the Half-year 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 2020 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.



DELOITTE TOUCHE TOHMATSU



H Fortescue
Partner
Chartered Accountants
Sydney, 18 February 2021



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