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ASX Announcement

21 October 2019

Annual Report for the year ended 30 June 2019

Attached is a copy of the IPH Limited Annual Report for the year ended 30 June 2019. The Annual Report is being sent to shareholders today.

For more information, please contact:
Dr Andrew Blattman, Managing Director & CEO
John Wadley, Chief Financial Officer
Ph: +61 2 9393 0301

About IPH Limited

IPH Limited ("IPH", ASX:IPH), the holding company of AJ Park, Glasshouse Advisory, Griffith Hack, Pizzeys, Practice Insight, Shelston IP, Spruson & Ferguson and Watermark, is the leading intellectual property ("IP") services group in the Asia-Pacific region offering a wide range of IP services and products. These services are provided across Australia, New Zealand, Papua New Guinea, the Pacific Islands and Asia from offices in Sydney, Brisbane, Melbourne, Canberra, Perth, Auckland, Wellington, Singapore, Kuala Lumpur, Jakarta, Beijing, Hong Kong and Bangkok. The group comprises a multidisciplinary team of approximately 1000 people, including some of the most highly regarded IP professionals in the Asia-Pacific region. The team services a diverse client base of Fortune Global 500 companies and other multinationals, public sector research organisations, foreign associates and local clients. IPH was the first IP services group to list on the Australian Securities Exchange.

IPH LIMITED

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ANNUAL REPORT

YEAR ENDED 30TH JUNE

2019

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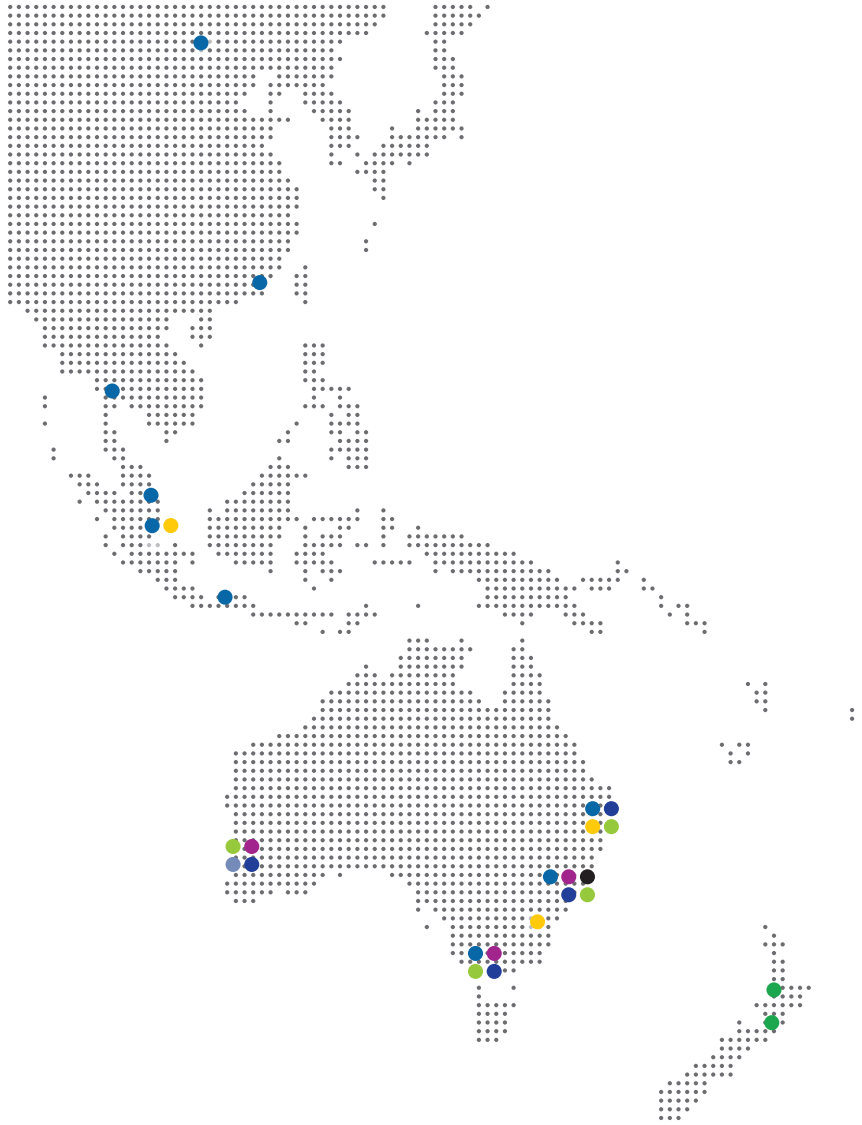
The IPH Group[1]



- AJ Park
- Glasshouse Advisory
- Griffith Hack
- Shelston IP
- Spruson & Ferguson
- Pizzeys
- Practice Insight
- Watermark

8
IP Jurisdictions

27
Offices[2]

1000+
Employees[3]

1. The expanded IPH group following the acquisition of Xenith IP on 15 August 2019
2. Refers to number of primary offices of IPH group businesses in the Asia-Pacific region
3. Approximate employee numbers as at 15 August 2019

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About our business

IPH is the leading intellectual property (IP) professional services group in the Asia-Pacific region. As the first IP services group to list on the Australian Securities Exchange (ASX) in 2014, IPH has always been focused on growth and evolution, to enable broader access to high quality and trusted IP professional services across the Asia-Pacific region.

Our vision is to be the leading IP services group in secondary IP markets and adjacent areas of IP.

The IPH group businesses work with a broad range of clients, including some of the world's leading companies, multinationals, universities, public sector research organisations, foreign associates and other corporate and individual clients.

Our group businesses comprise leading IP firms which provide services for the protection, commercialisation, enforcement and management of all forms of intellectual property including patents, trade marks and designs. We also operate in adjacent areas which support our IP businesses.

Our growth story

Since 2014, IPH has completed eight acquisitions in Australia, New Zealand and Asia and we've made excellent progress towards our vision, more than doubling the group's footprint in Asia-Pacific. As a publicly listed IP services group, we access the capital needed to invest in our group businesses and ensure they have the capabilities, resources and systems to deliver the highest quality services to their clients, provide expanded career opportunities for their people, and continue to evolve to meet the needs of clients in a rapidly changing IP services market.

In the 2019 financial year, we continued to realise our vision in numerous ways. We successfully merged Fisher Adams Kelly Callinans (FAKC) and Cullens Patent and Trade Mark Attorneys (Cullens) IP service businesses into our biggest IP services business, Spruson & Ferguson in July 2018. We also continued the integration of leading New Zealand IP firm AJ Park into the IPH group following its acquisition in October 2017. In the 2019 financial year, IPH commenced the process to acquire Xenith IP Group by way of a Scheme of Arrangement.

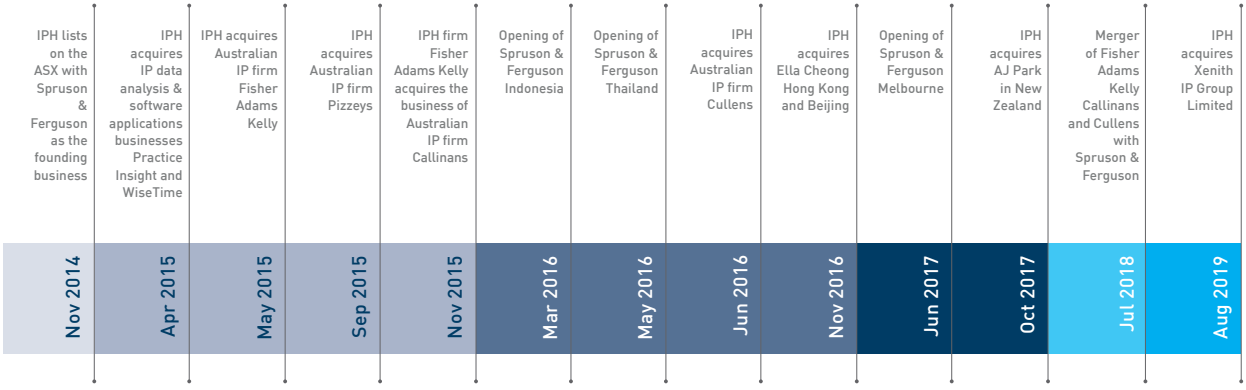
At the time of writing, we have successfully completed the acquisition of Xenith IP Group – our largest acquisition to date – and its subsidiary businesses of Glasshouse Advisory, Griffith Hack, Shelston IP and Watermark joined the IPH group on 15 August 2019. We now offer eight high quality brands, also including AJ Park, Spruson & Ferguson, Pizzeys and Practice Insight, to the market with 27 offices across eight jurisdictions in the Asia-Pacific region.

Our growth over the past five years has been beneficial for our people too. The IPH group, and its group businesses, now employ more than 1000 employees. As our business has grown and evolved we have been able to provide more opportunities for our people. For example, since listing on the ASX in 2014, we've made more than 35 promotions to Principal.

Our success is firmly underpinned by our core values of excellence in service delivery to our clients, innovation in value creation, integrity in business practices, efficiency and effectiveness in operations and empowerment and engagement of our people.

The following timeline shows the continued evolution of our business.

Five years of growth and expansion at IPH



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FY19 Year in Review



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Chairman's Letter

Dear Shareholder,

In 2019 we saw the continued evolution of the IPH group, in what was a successful and significant financial year for our business.

The group delivered continued double-digit revenue and earnings growth in our Asian operations and improved margins in our Australian and New Zealand businesses.

As a result, Statutory Net Profit After Tax (NPAT) increased by 31 per cent to $53.1 million, equating to an increase in diluted earnings per share of 29 per cent to 26.7 cents.

It also demonstrated our ability to leverage our extensive network across Asia, implement our strategy to integrate domestic acquisitions and further strengthen our Australian and New Zealand operations.

The Directors declared a final dividend of 13 cents per share, 60 per cent franked, bringing the full year dividend to 25 cents per share, up 11 per cent on the prior year.

Successful acquisition of Xenith IP Group

A key achievement for the year was the successful agreement to acquire Xenith IP Group, which was implemented on 15 August 2019.

The acquisition reinforces IPH's leadership position in the Australian and New Zealand markets and provides an exceptional opportunity to harness our network across the Asia-Pacific region.

This acquisition was the largest transaction in IPH's history since listing and marks a major milestone in the continued implementation of our vision to be the leading IP group in secondary IP markets and adjacent areas of IP.

We have a strong track record of successfully integrating acquisitions to create value for our shareholders while delivering benefits for our clients and our people. We now look forward to creating further value and benefits for all stakeholders with the addition into the IPH group of Xenith and its leading businesses.

Board appointment

In April 2019 the Board was pleased to announce the appointment of Jingmin Qian as a Non-executive Director.

Jingmin brings a broad range of industry experience to IPH, including strategy, mergers and acquisitions, capital planning and Asian expansion, gained in senior roles with L.E.K. Consulting, Boral Limited, Leighton Holdings and her advisory practice. Jingmin's wide-ranging skills and experience across several industries are a valuable addition to the Board of IPH.

Sustainability

IPH is committed to sustainable practices throughout our business. We recognise that a sustainable business is one that provides a safe, rewarding and diverse environment for our people, while operating in an environmentally and socially responsible manner. This year, IPH is preparing a stand-alone sustainability report to provide shareholders and other stakeholders with further information on our approach to sustainability. This report will be available on the IPH website prior to our 2019 Annual General Meeting.

Fifth anniversary of the IPH group

In November 2014 IPH became the first IP services group to list on the Australian Securities Exchange and in 2019 we will mark the fifth anniversary of IPH Limited.

The change to our corporate structure and subsequent ASX-listing has been fundamental in enabling the group to access capital to harness opportunities for further growth and development through both investment in our existing businesses and through acquisitions.

These investments over the past five years have been critical to our expansion and our ability to deliver enhanced value for shareholders, and have enabled us to create a strong platform for future growth.

Our model also ensures our group businesses have the capability, resources and systems to deliver services of the highest quality to clients and create opportunities for development and career progression for our people.

We can be proud of our achievements over the past five years and look forward to the path ahead for our business.

Conclusion

I would like to acknowledge IPH's Managing Director and CEO, Dr Andrew Blattman, his leadership team, and all our people across the IPH group for their hard work in FY19, and their continued efforts in providing outstanding service to their clients.

I would also like to extend a warm welcome to all Xenith employees who are now part of IPH. The combination of our two groups creates compelling opportunities and we now look forward to drawing on the strengths of each business for the benefit of all our stakeholders.

Finally, on behalf of the Board of Directors, I would like to thank our shareholders for your ongoing support of IPH Limited.



Richard Grellman, AM
Chairman



Operational Highlights[1]

Strategic priorities for FY19	Results in FY19
1 Leverage existing network to grow our Asian business	✓ Double-digit organic growth for the third consecutive half fuelled by take up of Asian offering
2 Continue to evaluate acquisition and expansion opportunities	✓ Successfully achieved largest ever acquisition – Xenith IP Group
3 Margin expansion through AJ Park and merger of FAKC and Cullens into Spruson & Ferguson	✓ Outperformance by AJ Park enhances group EBITDA margin and synergies realised through Spruson & Ferguson merger
4 Practice Insight refocused post sale of IP products	✓ Sale of Filing Analytics, Citation Eagle and DMS products – now fully focused on WiseTime
5 Focus on attract, motivate and retain key talent	✓ Successful delivery of IPH incentive plan into AJ Park and the expanded Spruson & Ferguson
6 Leverage market leading position in Australia / New Zealand	✓ Increased referrals into IPH Asia network in FY19

1. IPH Limited 2019 Full Year Results Investor Presentation, 20 August 2019.

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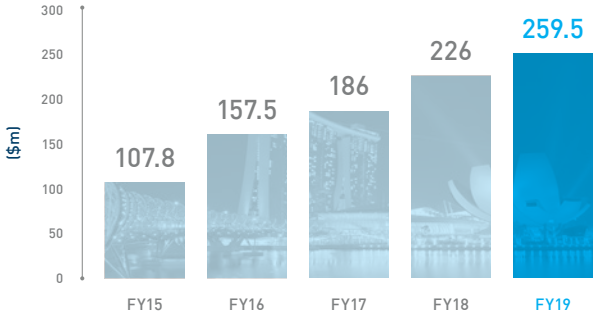
Financial Highlights

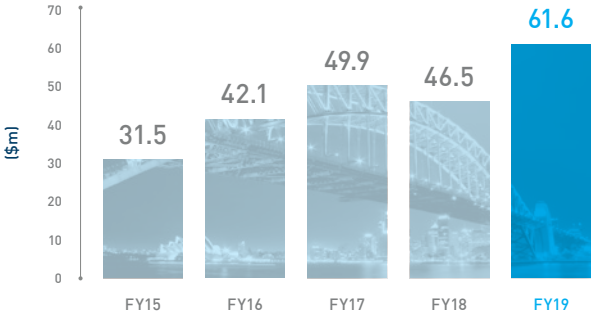
Revenue [1]

A$259.5m



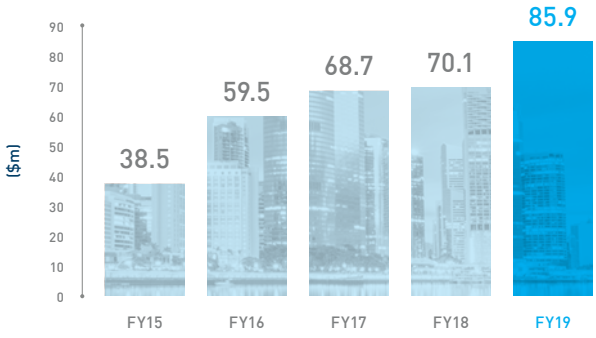
Operating Cashflow

A$61.6m



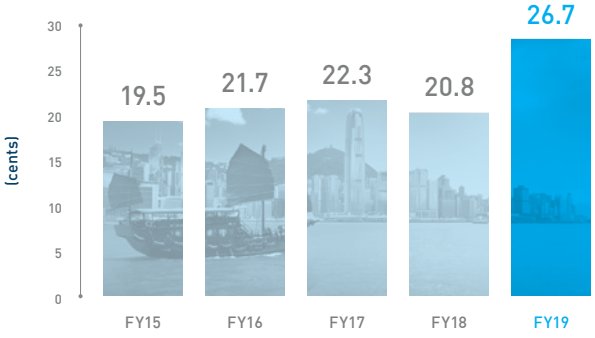
EBITDA [2]

A$85.9m



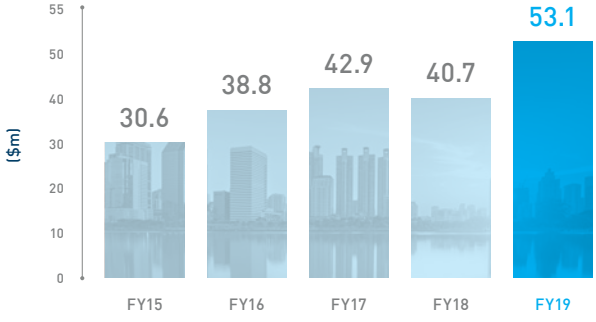
Earnings Per Share [3]

26.7c



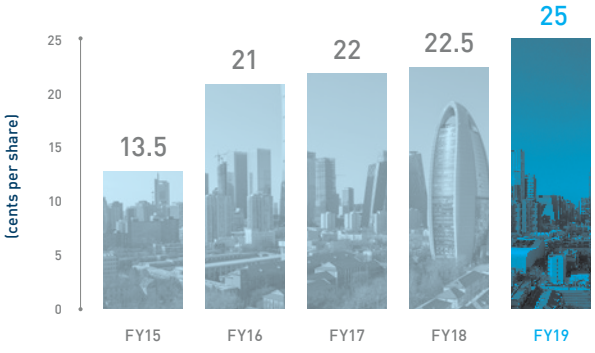
NPAT

A$53.1m



Full Year Dividend

25c



1. FY15 and FY16 revenue has been restated to include recognition of filing fee revenue per change in the FY17 accounting policy.
2. Earnings before interest, tax, depreciation and amortisation.
3. Diluted earnings per share.

CEO's Report

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The 2019 financial year was one of great achievement on many fronts for the IPH group.

We delivered strong financial results with double-digit growth in Asia and improved margins in our Australian and New Zealand businesses assisting in delivering a 31 per cent increase in Statutory Net Profit After Tax for FY19.

We further developed our business, with the successful acquisition of Xenith IP Group, the continued integration of AJ Park into the group, and implementation of the merger of the IPH businesses of Fisher Adams Kelly Callinans (FAKC) and Cullens into Spruson & Ferguson.

Our focus on attracting, motivating and retaining our people continued with the delivery of the IPH incentive plan to AJ Park and the expanded Spruson & Ferguson business, and continued development and promotion of our people across the group.

Financial results

In the 2019 financial year we achieved double-digit growth in all of our financial metrics against the prior year and delivered underlying EBITDA of $89.7 million – up 21 per cent.

The main contributors to these results were four months of acquisitive growth from the AJ Park business; foreign currency rate changes; and organic growth from our existing businesses, particularly in Asia.

In FY19, our Asia business has continued to outperform following the second half of the 2018 financial year due, in part, to follow-on activities arising from the filings in that period, and also in the last quarter of the 2019 financial year, where the business benefited from a significant client filing across several jurisdictions. An increase in filings in countries requiring translations has also made a positive contribution.

Our underlying result also includes the interim dividend from Xenith IP of $576,000 received in March 2019.

IPH continued to deliver growth in earnings and revenue on a 'like-for-like' basis which adjusts for the impact of acquisitions and foreign exchange movements. Like-for-like revenue increased by 2 per cent to $231.4 million and like-for-like EBITDA increased by 9 per cent to $80.4 million.

Like-for-like revenue from our Asian business increased by 13 per cent with like-for-like EBITDA increasing by 16 per cent.

While Australia and New Zealand revenue was slightly behind the prior period, EBITDA growth was still achieved due to savings derived from the merger of FAKC and Cullens with Spruson & Ferguson, as well as margin improvement in AJ Park.

Market conditions

In FY19 IPH maintained leading market share positions in Australia, New Zealand and Singapore.

In Australia, the overall patent market grew by 0.8 per cent in FY19. IPH group's filings (including AJ Park since November 2017) declined by 3.5 per cent for the year. The reduction in filings reflects IPH's client mix and filing activity and IPH maintained its number one position with IPH combined group market share (excluding Xenith) of 22.1 per cent in Australia at 30 June 2019.

In Singapore, IPH group patent filings for the calendar year to 30 June 2019 were in line with the market growth of 4.7 per cent and the IPH group continues to hold the number one patent market share of 24.0 per cent for the calendar year to 30 June 2019.

IPH group filing activity also increased across most Asian jurisdictions, particularly in Thailand, Indonesia, Malaysia, The Philippines and Vietnam. Total patent filing growth across key Asian jurisdictions, excluding Singapore, was 22.7 per cent for the year.

The overall trade mark market in Australia decreased by 8.2 per cent for the year and IPH trade mark filings were down, consistent with the overall market. However, the IPH group continues to hold the number one trade mark market position in Australia with 14.2 per cent share of filings from the top 50 agents.

Delivering on our strategy

During FY19 the group made significant progress in implementing a number of strategic initiatives.

Growth through acquisition

We commenced the process of acquiring the Xenith IP Group during the 2019 financial year – representing the largest acquisition in IPH's history. Following the successful Scheme implementation on 15 August 2019, the combined group now has a broadened Australian business and can leverage IPH's significant experience and geographic reach in the Asia region with the combined business operating eight leading IP services firms and IP adjacent businesses, with more than 1000 staff across 27 offices in eight jurisdictions in Asia-Pacific.

One of the key opportunities from this transaction is the ability to offer clients from the businesses of Griffith Hack, Shelston IP and Watermark the expertise and reach of the IPH Asian offering. This is consistent with our successful approach with Spruson & Ferguson and AJ Park; and for Pizzeys through its own associated Singapore practice.

Our strengthened Asia-Pacific business provides clients with a comprehensive IP service offering across the region and strong career development opportunities for our people.

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The acquisition of Xenith is consistent with IPH's strong track record in successfully integrating acquisitions to create value for our clients, our people and our shareholders.

Consolidating acquisitions

In 2017, IPH acquired New Zealand's premier IP firm AJ Park, the group's first acquisition in the New Zealand market.

AJ Park continues to deliver value for the wider group. In FY19, AJ Park delivered EBITDA of A$10.8 million. EBITDA margin improved from 17 per cent to 22 per cent, while referrals from AJ Park to other IPH group companies continued to increase during the year.

Another important aspect of the acquisition is the opportunities that can be created for AJ Park employees by being part of the IPH group. In FY19 AJ Park announced three Principal promotions and we were pleased to successfully implement the IPH incentive plan for eligible AJ Park employees.

Our largest IP business, Spruson & Ferguson, continued to evolve its Australian operations in 2019. The merger of FAKC and Cullens IP service businesses with Spruson & Ferguson was successfully completed in July 2018 and the three firms are now fully integrated and operating as Spruson & Ferguson.

Organic growth

We continue to generate organic growth by leveraging our strong network across the region and have observed increasing numbers of clients file with the group in multiple jurisdictions. In FY19 we saw gains from this network effect with double-digit revenue and earnings growth in our Asia operations.

WiseTime

Our Practice Insight business is now completely focused on its WiseTime product following the sale of its Filing Analytics and Citation Eagle products to CPA Global in August 2018 for $10 million; followed by the sale of its DMS data management system product in May 2019 to German IP software provider PACE IP GmbH for €900,000. Net profit on the sale from both transactions of $2.9 million was excluded from underlying results.

WiseTime is a privacy-first, automated timekeeping tool for legal professionals. Clients throughout Europe, USA, Canada, The Republic of Korea and Asia-Pacific are using WiseTime, and Practice Insight is continuing its focus on product development and growth in sales.

Continued focus on our people

As a professional services business, our people are critical to our success. In the 2019 financial year, we continued our focus on attracting, motivating and retaining key talent across IPH. Our corporate structure continues to provide us the ability to further develop and invest in our people which is a key part of our competitive advantage.

We were pleased to successfully implement the IPH incentive plan for all eligible staff within AJ Park and across the expanded Spruson & Ferguson business. We also appointed eight new Principals across the group in FY19.

Priorities for the 2020 financial year

Our strategic priorities in 2020 include maintaining our leading market positions in Australia, New Zealand and Singapore, and seeking to expand in other higher growth jurisdictions.

Our immediate focus is to integrate Xenith successfully into the IPH group and harness the collective experience and expertise of member firms to provide our clients with an even more comprehensive IP service offering.

We have commenced the Xenith integration process and have also started work to identify and leverage cost synergies and revenue opportunities arising from the Xenith transaction to deliver further margin improvement across the combined business. We expect to provide an update on these activities at the Annual General Meeting.

We will continue to leverage our Asian network to expand organic revenue opportunities and market share in high growth markets across the region. In Australia and New Zealand, our strategy also includes a continued focus on expanding our service provision with existing foreign associate firms, and attracting new corporate clients.

We will look to increase market share and sales in our WiseTime product and further invest in our digital platform development.

Finally, we continue to evaluate potential international acquisition opportunities in core secondary IP markets.

In a very busy year, IPH made significant progress. I want to acknowledge and thank all our people across the businesses for their hard work in delivering a very strong financial result and creating a platform for further growth, and our shareholders for your continuing support of IPH.



Dr. Andrew Blattman
CEO and Managing Director



Board of Directors

The Board of Directors bring relevant experience and skills to the governance of IPH, including professional services, financial management, legal services and corporate governance.



Richard Grellman, AM

Independent Non-executive Chairman

FCA

Richard was appointed independent Non-executive Chairman in September 2014.

Richard worked for KPMG for 32 years, mostly within the Corporate Recovery Division and was a Partner from 1982 to 2000. Richard is currently the Tribunal of the Statutory and Other Officers Remuneration Tribunal (SOORT), appointed by the Governor of NSW. Richard is also Chairman of Fastbrick Robotics Ltd and SuperConcepts Pty Ltd (AMP). Richard is a Director of Bisalloy Steel Group Limited and the National Health and Medical Research Council Institute for Dementia Research, and lead Independent Director of Salvation Army Australia.



Dr Andrew Blattman

CEO and Managing Director

BScAgr (Hons 1), PhD, GraDipIP

Andrew was appointed as Managing Director & Chief Executive Officer of IPH in November 2017.

Andrew has more than 20 years' experience in the intellectual property profession. Previously he was CEO of Spruson & Ferguson, the largest entity in the IPH Group. Andrew joined Spruson & Ferguson in 1995 and in 1999 he was appointed as a Principal of the firm.

In 2015 Andrew was appointed CEO of Spruson & Ferguson. Under his leadership Spruson & Ferguson significantly expanded its footprint in the Australian and Asian IP markets – opening new offices in Melbourne, Beijing, Hong Kong SAR, Jakarta and Bangkok.

Since Spruson & Ferguson's incorporation and the listing of IPH on the ASX in 2014, Andrew has played a key role in the development and growth of the IPH Group. He has a deep knowledge and understanding of the IPH business and the environment in which the company operates.

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John Atkin

Independent Non-executive Director

LLB (1st Class Hons), BA (Pure Mathematics) (1st Class Hons), FAICD

John was appointed as a Non-executive Director in September 2014.

John is Chairman of the Australian Institute of Company Directors, Australian Outward Bound Foundation and Qantas Superannuation Limited. He is a Director of Integral Diagnostics Limited, Commonwealth Bank Officers Superannuation Corporation Pty Limited, and Outward Bound International Inc.

John is a former CEO & Managing Director of The Trust Company Limited (2009-2013) prior to its successful merger with Perpetual Limited. John was also Managing Partner and Chief Executive of Blake Dawson (2002-2008). John also worked at Mallesons Stephen Jaques as a Mergers & Acquisitions Partner for 15 years (1987-2002).



Robin Low

Independent Non-executive Director

BCom, FCA, GAICD

Robin was appointed as a Non-executive Director in September 2014.

Robin is a Director of AUB Group Limited, CSG Limited, Appen Limited, Primary Ethics, the Public Education Foundation, Australian Reinsurance Pool Corporation and Gordian Runoff Limited/Enstar Australia Holdings Pty Ltd (part of the NASDAQ listed Enstar Group) and Guide Dogs NSW/ACT. Robin is also Deputy Chairman of the Auditing and Assurance Standards Board.

Robin was with Pricewaterhouse Coopers for 28 years and was a partner from 1996 to 2013, specialising in audit and risk.



Jingmin Qian

Independent Non-executive Director

BEc, MBA, CFA, FAICD

Jingmin was appointed as a Non-executive Director in April 2019.

Jingmin is a Director of Abacus Property Group, Trustee of Club Plus Super, a member of Macquarie University Council and a Director of the Australia China Business Council. She is also a senior advisor to leading global and Australian organisations and Director of Jing Meridian Advisory Pty Ltd.

Jingmin previously held senior roles with L.E.K. Consulting, Boral Limited and Leighton Holdings, and brings a broad range of commercial experience covering strategy, mergers and acquisitions, capital planning, investment review and Asian expansion.

Corporate Directory



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Corporate Directory

Directors	Mr Richard Grellman AM - Chairman Dr Andrew Blattman Mr John Atkin Ms Robin Low Ms Jingmin Qian
Company secretary	Mr Philip Heuzenroeder
Notice of annual general meeting	The details of the annual general meeting of IPH Limited are: Thursday 21 November at 10:30am at the offices of EY 200 George Street, Sydney NSW 2000
Registered office	Level 24, Darling Park Tower 2 201 Sussex Street, Sydney NSW 2000 Tel: 02 9393 0301 Fax: 02 9261 5486
Principal place of business	Level 24, Darling Park Tower 2 201 Sussex Street, Sydney NSW 2000
Share register	Link Market Services Limited Level 12, 680 George Street, Sydney NSW 2000 Tel: 1300 554 474
Auditor	Deloitte Touche Tohmatsu Level 9, Grosvenor Place 225 George Street, Sydney NSW 2000
Solicitors	Watson Mangioni Lawyers Pty Limited Level 23, 85 Castlereagh Street, Sydney NSW 2000
Stock exchange listing	IPH Limited shares are listed on the Australian Securities Exchange (ASX code: IPH)
Website	www.iphltd.com.au
Corporate Governance Statement	The Corporate Governance Statement has been approved by the Board of Directors and can be found at www.iphltd.com.au

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Directors' Report



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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 year ended 30 June 2019.

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	CEO and Managing Director
Mr John Atkin	Non-executive Director
Ms Robin Low	Non-executive Director
Ms Jingmin Qian	Non-executive Director (appointed 1st April 2019)

1.1 Information on Directors

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

Name:	Richard Grellman, AM
Title:	Non-executive Chairman (appointed 23 September 2014)
Qualifications:	FCA
Experience and expertise:	Richard worked for KPMG for 32 years, mostly within the Corporate Recovery Division and was a Partner from 1982 to 2000. Richard is currently the Tribunal of The Statutory and Other Officers Remuneration Tribunal (SOORT), appointed by the Governor of NSW.
Other current directorships:	Richard is also Chairman of Fastbrick Robotics Ltd and SuperConcepts Pty Ltd (AMP). Richard is a Director of Bisalloy Steel Group Limited and the National Health and Medical Research Council Institute for Dementia Research, and lead Independent Director of Salvation Army Australia.
Former directorships (last 3 years)	Chairman of Genworth Mortgage Insurance Limited (2012-2016), Chairman of the AMP Foundation (2012-2018)
Interests in shares:	71,449
Special responsibilities:	Chairman. Member – Nomination and Remuneration Committee

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Directors' Report

Name:	Dr. Andrew Blattman
Title:	CEO and Managing Director (appointed 20 November 2017)
Qualifications:	BScAgr (Hons 1), PhD, GraDipIP
Experience and expertise:	Andrew has more than 20 years' experience in the intellectual property profession. Previously he was CEO of Spruson & Ferguson, the largest entity in the IPH Limited group. Andrew joined Spruson & Ferguson in 1995 and in 1999 he was appointed as a Principal of the firm. In 2015 Andrew was appointed CEO of Spruson & Ferguson. Under his leadership Spruson & Ferguson significantly expanded its footprint in the Australian and Asian IP markets – opening new offices in Melbourne, Beijing, Hong Kong SAR, Jakarta and Bangkok. Since Spruson & Ferguson's incorporation and the listing of IPH on the Australian Securities Exchange in 2014, Andrew has played a key role in the development and growth of the IPH group. He has a deep knowledge and understanding of the IPH business and the environment in which the company operates.
Memberships of Professional Associations:	FIPTA, APAA, AIPPI, FICPI and IPSANZ
Other current directorships:	No other current directorships
Interests in shares:	2,506,166
Special responsibilities:	CEO

Name:	John Atkin
Title:	Non-executive Director (appointed 23 September 2014)
Qualifications:	LLB (1st Class Hons), BA (Pure Mathematics) (1st Class Hons), FAICD
Experience and expertise:	John is a former Chief Executive Officer and Managing Director of The Trust Company Limited (2009-2013) prior to its successful merger with Perpetual Limited. John was also Managing Partner and Chief Executive of Blake Dawson (2002-2008). He also worked at Mallesons Stephen Jaques as a Mergers & Acquisitions Partner for 15 years (1987-2002).
Other current directorships:	John is Chairman of the Australian Institute of Company Directors, Australian Outward Bound Foundation and Qantas Superannuation Limited. He is a Director of Integral Diagnostics Limited, Commonwealth Bank Officers Superannuation Corporation Pty Limited, Outward Bound International Inc.
Former directorships (last 3 years):	Non-executive director Aurizon Holdings Limited (2010-2016), Chairman GPT Metro Office Fund (2014-2016).
Interests in shares:	115,829
Special responsibilities:	Chairman – Nomination and Remuneration Committee. Member – Audit Committee, Risk Committee

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Name:	Robin Low
Title:	Non-executive Director (appointed 23 September 2014)
Qualifications:	BCom, FCA, GAICD
Experience and expertise:	Robin was with PricewaterhouseCoopers for 28 years and was a Partner from 1996 to 2013, specialising in audit and risk.
Other current directorships:	Robin is a Director of AUB Group Limited, CSG Limited, Appen Limited, Primary Ethics, the Public Education Foundation, Australian Reinsurance Pool Corporation, Gordian Runoff Limited/Enstar Australia Holdings Pty Ltd (part of the NASDAQ listed Enstar Group) and Guide Dogs NSW/ACT. Robin is also Deputy Chairman of the Auditing and Assurance Standards Board.
Interests in shares:	74,214
Special responsibilities:	Chairman – Audit Committee. Member – Nomination and Remuneration Committee, Risk Committee

Name:	Jingmin Qian
Title:	Non-executive Director (appointed 1 April 2019)
Qualifications:	BEc, MBA, CFA, FAICD
Experience and expertise:	Jingmin previously held senior roles with L.E.K. Consulting, Boral Limited and Leighton Holdings, and brings a broad range of commercial experience covering strategy, mergers and acquisitions, capital planning, investment review and Asian expansion.
Other current directorships:	Jingmin is a Director of Abacus Property Group, Trustee of Club Plus Super, a member of Macquarie University Council and a Director of the Australia China Business Council. She is also a senior advisor to leading global and Australian organisations and Director of Jing Meridian Advisory Pty Ltd.
Interests in shares:	Nil
Special responsibilities:	Chairman – Risk Committee. Member – Audit Committee, Nomination and Remuneration Committee

The Directors hold no interest in options, performance rights or contractual rights to the securities of IPH Limited as at the date of this report.

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1.2 Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each Director were:

	Full Board		Nomination and Remuneration Committee		Audit Committee		Risk Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Richard Grellman, AM	9	9	2	2	3	3	2	2
Andrew Blattman	9	9	-	-	-	-	-	-
John Atkin	9	9	3	3	5	5	4	4
Robin Low	9	9	3	3	5	5	4	4
Jingmin Qian	3	3	2	2	1	1	1	1

Held: represents the number of meetings held during the time the Director held office.

2. Company Secretary

Philip Heuzenroeder, BEc, LLB, LLM, GAICD (Order of Merit). Mr Heuzenroeder was appointed Group General Counsel and Company Secretary on 29 April 2016. He is a solicitor with over 25 years' professional experience working in private practice and in-house, with experience in a broad range of areas of law including commercial law, competition law, ICT and intellectual property, and litigation. Philip was formerly a Principal of Spruson & Ferguson Lawyers and was a director of the Cure Brain Cancer Foundation from 2013 to 2017.

3. Principal activities

During the year principal activities of the Group consisted of:

» IP services related to provision of filing, prosecution, enforcement and management of patents, designs, trade marks and other IP in Australia, New Zealand, Asia and other countries; and

» the development and provision of IP data and analytics and autonomous timekeeping software under the subscription licence model whereby the software is licensed and paid for on a recurring basis.

There were no significant changes in the nature of activities of the Group during that period.

4. Operational and financial review

4.1 Operations and financial performance

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

The FY19 underlying earnings of the Group have been determined by adjusting statutory earnings amounts to eliminate the effect of business acquisition costs, new business establishment costs, restructuring expenses, non-cash share based payments expenses and the disposal of Practice Insight businesses.

Revenue increased by 15% to $259.5m, driven by the impact of organic growth, acquisitions, the sale of Practice Insight businesses and also the impact of a weaker Australian dollar compared to the prior year.

Statutory EBITDA increased by 23% to $85.9m, from $70.1m in FY18. Underlying EBITDA, including an interim dividend of $576k from the investment in Xenith IP Group, increased by 21% to $89.7m from $74.0m for the prior corresponding period.

The Group achieved a statutory net profit after tax of $53.1m; an increase of 31% on the prior year's result of $40.7m. Underlying net profit after tax increased by 21% to $62.9m compared to the prior year.

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$'000	Revenue FY19	Revenue FY18	Chg%	EBITDA FY19	EBITDA FY18	Chg%
Australian & New Zealand IP	171,645	155,367	10%	61,818	54,147	14%
Asian IP	93,460	77,968	20%	38,617	31,146	24%
	265,105	233,335	14%	100,435	85,293	18%
Data and Analytics Software	477	1,212		(1,427)	(2,709)	
Corporate Office	(20)	(1,209)		(10,040)	(8,367)	
Eliminations	(8,914)	(7,312)		724	(213)	
Underlying Revenue / EBITDA	256,648	226,026	14%	89,692	74,004	21%
Business acquisition costs				(3,477)	(982)	
Business combination adjustments				-	642	
New business establishment costs				(31)	(786)	
Restructuring expenses				(985)	(2,134)	
Share based payments				(2,200)	(676)	
Disposal of Practice Insight businesses	2,857			2,857	-	
Statutory Revenue / EBITDA	259,505	226,026	15%	85,857	70,068	23%
Interest Income				92	29	
Interest Expense				(2,661)	(1,537)	
Impairment				-	(2,148)	
Depreciation and amortisation				(12,654)	(13,092)	
Net Profit Before Tax				70,632	53,320	32%
Tax				(17,521)	(12,647)	
Net Profit After Tax				53,111	40,673	31%

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4.1 Operations and financial performance Continued →

Australian and New Zealand IP

Revenue in the ANZ IP segment increased by 10.4% to $171.6m which includes $49.8m attributable to AJ Park.

Total Australian market patent filings increased by 0.8% for the period. IPH Group's filings (including AJ Park) declined by 3.5%. The reduction in filings reflect IPH's client mix and filing activity.

The Group has maintained its number one patent market share position (all patent applications filed in Australia) for the year at 22.1%.

Underlying EBITDA increased by 14% to $61.8m at a margin of 36.0% which includes the impact of favourable foreign exchange movements. On a like for like basis, Underlying EBITDA increased by 3% with an increase in EBITDA margin from 34.5% to 36.4%. The improvement relates to cost efficiencies as a result of the merger of Fisher Adams Kelly Callinans (FAKC) and Cullens into Spruson & Ferguson, and also from the continued improved performance in AJ Park.

Asian IP

The Asian IP segment achieved sales revenue growth of 20% to $93.4m. On a like for like basis revenue increased by 13% to $87.9m. Underlying EBITDA was up by $4.9m, or 16%.

IPH Group patent filing activity increased across most Asian jurisdictions, including Thailand, Vietnam, Indonesia, Malaysia and the Philippines. Total patent filing growth in these jurisdictions was 22.7% for the year.

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

Data and analytics software

IPH's wholly-owned subsidiary, Practice Insight Pty Limited, sold two of its products, Filing Analytics and Citation Eagle, to CPA Global for $10 million in August 2018. Net proceeds from the sale were used to repay debt.

In May 2019, Practice Insight sold its DMS document management system product suite to German IP software provider PACE IP GmbH, a sister company of Serviva GmbH.

Net profit on the sale from both transactions of $2.9 million has been excluded from underlying results.

These divestments have enabled Practice Insight now to focus solely on its autonomous time-keeping tool, WiseTime.

Movements in FX rates

Foreign exchange rates used to translate earnings throughout the period were:

	AUD/USD		AUD/EUR		AUD/SGD	
	Year End	Average	Year End	Average	Year End	Average
FY17	0.7692	0.7545	0.6730	0.6919	1.0598	1.0505
FY18	0.7407	0.7754	0.6420	0.6498	1.0095	1.0404
Movement		(2.8%)		6.1%		1.0%
FY19	0.7022	0.7153	0.6176	0.6270	0.9500	0.9765
Movement		7.8%		3.5%		6.1%

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4.1.1 Adjustments to statutory results

The internal reporting that is regularly provided to the chief operating decision makers includes financial information prepared on both a statutory and underlying basis. It is considered important to include the financial information on an underlying basis as this reflects the ongoing or underlying activities of the Group and excludes items that are not expected to occur frequently and do not form part of the core activities of the Group.

Adjustments to the statutory EBITDA for FY19 have been made for:

- Business acquisition costs – costs incurred in the pursuit of acquisitions which have been completed, not ultimately pursued or are currently in progress.
- New business establishment costs – costs of establishing new offices.
- Restructuring expenses – costs of restructuring across the Group. In the current year these predominately related to the merger of Cullens and Fisher Adams Kelly Callinans into Spruson & Ferguson; and the restructuring of certain aspects of AJ Park.
- 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 and DMS.

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4.2 Statement of financial position

$'m	Balance Sheet as at 30 Jun 2019	Balance Sheet as at 30 Jun 2018
Cash and cash equivalents	35.3	26.2
Trade and other receivables	63.4	57.1
Investments	39.2	-
Other current assets	7.3	5.3
Total current assets	145.2	88.6
PP&E	6.7	6.2
Acquisition intangibles & goodwill	255.1	266.3
Deferred tax asset	7.8	6.6
Other non-current assets	0.2	0.2
Total assets	414.9	367.9
Trade and other payables	19.1	16.7
Tax provisions	10.2	6.3
Deferred tax liability	22.4	22.9
Borrowings	65.5	40.1
Other liabilities	12.9	14.3
Total liabilites	130.1	100.3
Net assets	284.8	267.6
Equity		
Issued capital	262.8	262.8
Reserves	(2.0)	(11.5)
Retained profits	24.0	16.3
Total equity	284.8	267.6

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A summary of specific key movements are as follows:

Cash & cash equivalents

» The cash flow statement within the financial report provides details of the cash movements during the year. The Group generated positive cash flows from operating activities of $61.6m.

» The Group derives the majority of its revenue in USD and as such carries a significant amount of cash in USD. As at 30 June 2019 the cash balance was denominated in AUD (28%), USD (39%) and other (33%).

» The increase in investments relates to the acquisition of a 19.9% interest in the shares of Xenith IP Group in February 2019 at a total cost of approximately $33 million, revalued at 30 June 2019.

Trade and other receivables

» As at 30 June 2019 the trade receivables balance was denominated in AUD (37%), USD (44%) and other (19%).

Acquisition intangibles & goodwill

» The decrease in intangible assets arises from the reduction of goodwill and software intangibles as a result of the sale of the Practice Insight businesses and further amortisation of customer relationship intangibles.

» Identifiable intangible assets, net of amortisation, consist of customer relationships $62.7m, trademarks $4.2m and software of $3.5m.

» Goodwill recognised on acquisitions is $184.6m.

Liabilities

The increase in Group Borrowings reflects the acquisition of a 19.9% interest in the shares of Xenith IP Group in February 2019 at a total cost of approximately $33 million which was funded from the Group's debt facilities.

Equity

There were no issues of shares during the year.

4.3 Business model, strategy and outlook

4.3.1 Business model

IPH Limited is an intellectual property group operating a number of independent professional businesses providing intellectual property services ("IP Services"). It also operates a Data and Analytics Software Business ("Data Services") which, following divestment during FY19 of its IP data and document management systems products, is focused solely on its autonomous time-keeping tool, WiseTime.

In IPH's IP services businesses in Australia, New Zealand and Asia, revenue is derived from fees charged for the provision of professional IP services by each firm as related to securing, enforcing and managing IP rights in the country (directly or through an agent) in which registration is sought by the client. The business model allows IPH to generate recurring revenue streams throughout all stages of the IP lifecycle from its long-standing and diverse client base.

Factors that affect the performance of both business segments include, amongst others, the performance of the global and Australian economies, client activity levels, competitor activity, and the regulatory environment in which the services are provided.

4.3.2 Strategy

IPH vision, mission and values

From the Company's foundation and listing on the ASX in November 2014, IPH has been pursuing its vision of becoming the leading IP group in IP secondary[1] markets and adjacent areas of IP.

IPH's mission is to provide the highest quality of service to our clients, meeting their needs and exceeding their expectations, whilst delivering sustainable growth and value to all of our stakeholders.

From our origins in 1887 as Spruson & Ferguson, IPH's success continues to be underpinned by the key drivers and values at the core our businesses, which remain unchanged:

» Excellence in service delivery to our clients

» Innovation in value creation

» Integrity in business practices

» Efficiency and effectiveness in operations

» Empowerment and engagement of our people

1. The primary IP markets of USA, Japan, Western Europe and Korea generate the majority of IP rights and clients by value. The secondary markets are all countries outside of USA, Japan, Western Europe and Korea.

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Value creating growth strategies

IPH's plan is to achieve its goals through implementation of strategic initiatives in five key areas:

- Australian and New Zealand IP businesses
- Asia IP business
- Other secondary IP markets
- Adjacent to IP markets
- Business improvements and operations

Australian and New Zealand IP businesses

A key objective of all IPH's ANZ businesses is to continue to organically grow the volume of filings, market share and revenue across all disciplines, and to invest in providing superior service to global customers consistent with the longstanding strength and reputation of its brands, Spruson & Ferguson, Pizzeys and AJ Park.

IPH's ANZ businesses are also an important part of the Asian growth strategy in that they are a valuable source of filings and revenue into IPH's Asian business. The integration of the Cullens and FAKC brands into Spruson & Ferguson in FY19 better enabled professionals in these businesses to offer a pan-Asian filing solution to their clients.

Asian IP businesses

Asia has been a key part of the Group's strategy since the opening of the Singapore office in 1997. In recent years IPH has supported its Asian growth strategy with the opening of offices in Thailand and Indonesia and expanding into China and Hong Kong through the acquisition of Ella Cheong Hong Kong and Beijing (re-branded Spruson & Ferguson). The expansion provides a strong platform to extend the provision of IP services to new geographical areas for existing clients and an improved multi-country service offering for potential new clients. The key focus for IPH's Asian business is to leverage existing infrastructure for further organic growth. IPH will continue to assess potential organic and M&A opportunities in Asia as they arise.

Other secondary IP markets

IPH has adopted a strategic and disciplined approach to the assessment of any potential M&A opportunities in Asia-Pacific and other secondary IP markets. First and foremost, the growth opportunities are evaluated on the extent to which they help to achieve IPH's strategic objectives. IPH continues to evaluate potential acquisition opportunities in international secondary markets.

Adjacent to IP markets

Over the past 40 years the IP industry observed the rise of non-traditional IP service providers offering alternative ways of servicing and delivering value to clients through technology and data-driven business models. With the investment in Practice Insight, IPH is well positioned to capitalise on disruptive innovation. IPH continuously considers new developments in this area to ensure it maintains its market leadership position.

Business improvements and operations

The Spruson & Ferguson business has operated at industry-leading efficiency levels for many years. The Group will continue to focus on the optimisation of all of IPH's businesses with a view to extract operational efficiencies and improve the quality of service for our clients.

4.3.3 FY20 priorities

IPH's strategic priorities include maintaining its leading positions in Australia/New Zealand and Singapore, and seeking to expand in other higher growth jurisdictions.

The immediate focus is to integrate Xenith successfully into the IPH group and harness the collective experience and expertise of member firms to provide clients with an even more comprehensive IP service offering.

IPH has commenced the work to identify and leverage cost synergies and revenue opportunities arising from the Xenith transaction to deliver further margin improvement across the combined business over the next three years. IPH expects to provide an update on these activities at the Annual General Meeting on 21 November 2019.

IPH will continue to leverage its Asian network to expand organic revenue opportunities and market share in high growth markets across the region. In Australia/New Zealand, the Group's strategy also includes continuing to focus on expanding its service provision with existing foreign associate firms, and attracting new corporate clients.

IPH continues to evaluate potential international acquisition opportunities in core secondary IP markets.

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4.4 Risks

Risk	Description	Management of Risk
Strategic planning and implementation	The Company conducts its operations in a market that has undergone significant changes with the development of corporatised service providers, which the market continues to adjust to. This provides the Group with both opportunities and risks requiring development and communication of a clear strategic vision and objectives.	The Board is closely involved in identifying, reviewing and confirming strategic objectives and reviewing implementation, including assessing opportunities and risks, and in providing direction to management.
Competition and changing market conditions	The sectors in which the Company operates are subject to vigorous competition, based on factors including price, service, innovation and the ability to provide the customer with an appropriate range of IP services in a timely manner. Scope exists for market conditions to change over time reflecting economic, political or other circumstances.	Effective client service, comprising a high level of expertise at competitive prices delivered in a timely manner. All operations of the IPH Group are now or will be supported by industry leading IT systems. Regular marketing visits to maintain and develop client relationships and understand potential changes in client needs, and internal and external pressures. IPH also provides a broad range of intellectual property services and its operations are geographically widespread, reducing exposure to any one form of intellectual property country or jurisdiction in which it operates.
Regulatory environment	The Company is subject to significant regulatory and legal oversight.	Senior executives ensure that all regulatory and legal issues affecting IPH's business are monitored and that any changes to the business operations necessary to comply with regulatory and legal changes are undertaken in a timely manner. Careful management and oversight of the Group's internal case management system. Principal review of all professional work and compliance with a professional work approval process for outgoing work. The approval process is correlated to the complexity and level of potential risk associated with the work.

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Risk	Description	Management of Risk
Regulatory reforms	The Group's service offerings are subject to changes to government legislation, regulation and practices including particularly, if implemented, proposals to streamline multi-jurisdictional patent filing and examination processes.	The Company is proactive in any review or evaluation of regulations likely to affect its operations materially, and works with regulators or review authorities to ensure a clear understanding of facts and circumstances, and consideration of all stakeholder perspectives. The Company seeks to offer its services in a range of secondary markets. Many of these markets have less developed IP regulations and systems, and require translations into languages other than English, and are therefore less likely to be affected by such proposals if they were to be implemented than developed or primary markets. Other factors which help safeguard the Company's role are effective technology, excellent client service and efficient operations and the likely need for IP applicants to continue to be required to record a local address for service of documents with the local IP office for examination and prosecution purposes. The Company also continues to consider the development of revenue streams from adjacent markets.
Personnel	The Company depends on the talent and experience of its personnel. The loss of any key personnel, or a significant number of personnel generally may have an adverse effect on the Company. Employee costs represent a significant component of the Group's total cost base.	Retention practices including appropriate remuneration, incentive programmes (both short and long term), retention awards, working environment and rewarding work. Careful management of staff numbers and salary levels and consideration of resourcing requirements as the Company grows.
Disintermediation	The Group acts as an intermediary agent between its clients and IP offices. The removal of intermediaries in the IP application and registration process would have an adverse impact on the Group. It is also possible that third party service providers that currently only provide services with respect to limited aspects of IP protection may seek to extend their relationships with clients into other aspects of the provision of IP services that the Group currently services causing a diminution of relationships with clients.	IPH's intermediary role is safeguarded by clients' reliance on the Group's expertise (both general IP expertise and local expertise) and regulatory barriers such as exclusive rights of patent attorneys to provide various IP related services and requirements for IP applicants to record a local address for service of documents with the local IP office. Other factors which help safeguard the Company's intermediary role are effective technology, excellent client service and efficient operations. The Company also seeks to offer its services in a range of secondary markets. Many of these markets have less developed IP regulations and systems and require translations into languages other than English, and are therefore less likely to be affected by disintermediation or expansion by other providers.

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Risk	Description	Management of Risk
Case management and technology systems	The Group's internally customised systems represent an important part of its operations upon which the Group is reliant.	The Company has established business continuity plans and procedures and maintains system back up and maintenance processes. The Company conducts appropriate reviews of its information technology systems, operations and human resourcing, and its management of cyber risk. The Company continually invests in system enhancements and engages quality 3rd party suppliers to assist with its systems development and maintenance. The Company's transition of its IT systems to offsite 'cloud-based' systems enables centralised oversight and standardisation of processes.
Technology disruption	The increasing use of electronic systems and processes by regulatory authorities in some markets may provide opportunities for technology disruption in the industry.	The need for the Company's services is safeguarded by the reliance of target clients on the Group's expertise (both general IP expertise and local expertise) and regulatory barriers such as exclusive rights of patent attorneys to provide various IP related services, and requirements for IP applicants to record a local address for service of documents with the local IP office. Other factors which help safeguard the Company against technology disruption include its own investment in awareness of and effective technology development, and in efficiency in operations. The Company also seeks to offer its services in a range of secondary markets. Many of these markets have less developed IP regulations and systems, are less advanced technologically and require technical translations into languages other than English.
Foreign exchange risk	The Group's financial reports are prepared in Australian dollars. However, a substantial proportion of the Group's sales revenue, expenditure and cash flows are generated in, and assets and liabilities are denominated in US dollars, Euros and Singapore dollars.	The Company monitors the foreign currency exposures that arise from its foreign currency revenue, expenditure and cash flows and from the foreign currency assets and liabilities held on its balance sheet. The Company undertakes regular sensitivity analyses of these exposures. The Company has foreign currency hedging facilities available as part of its bank facilities and has engaged in appropriate use of foreign currency denominated finance facilities to reduce exposure. The Chief Financial Officer regularly reports to the Board in respect of the Company's foreign currency exposures. The Board reviews its hedging policy in respect of the foreign currency exposures from time to time. Currently the Group does not directly hedge against its foreign currency exchange risk to a material extent.

Risk	Description	Management of Risk
Conflict of duties	Patent and trademark attorneys are required to abide by a code of conduct that requires them to act in accordance with the law, in the best interests of their client, in the public interest, and in the interests of the registered attorney's profession as a whole. There may be circumstances in with the Company is required to act in accordance with these duties contrary to other corporate responsibilities and against the interests of shareholders and the short term profitability of IPH. An amendment to the Code of Conduct may affect the manner in which the Group conducts its activities, particularly with the expansion of the Group to include additional business units.	The Company has been proactive in any review or evaluation of regulations likely to affect its operations materially, and works with regulators or review authorities to ensure a clear understanding of facts and circumstances, and consideration of all stakeholder perspectives. The Company has sought detailed advice on issues of conflict of interest and compliance with related professional obligations. The Company actively assists its business units to implement appropriate processes and procedures for compliance, including relevant professional standards bodies' Codes of Conduct and Professional Rules.
Professional liability and uninsured risks	The provision of patent and trademark services and legal services by the Company gives rise to the risk of potential liability for negligence or other similar client or third party claims.	The Company maintains file management processes which are highly automated, safeguarded, controlled and regularly reviewed. The Company has comprehensive quality assurance processes to ensure appropriate standards of professional work are maintained. The Group has in place a comprehensive insurance Programme which includes professional indemnity insurance. To support its professional indemnity insurance arrangements, the Group has internal processes to ensure timely notification to the underwriters of any potential claim arising from its business activities.

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Risk	Description	Management of Risk
Acquisitions	The Company's growth strategy may include the acquisition of other intellectual property businesses. Risks arise in ensuring that potential acquisitions are appropriately selected and issues affecting the value of individual acquisitions are identified and reflected in the purchase considerations.	The Company assesses potential acquisition opportunities against the Company's strategic objectives, values and culture. Where an appropriate potential acquisition is identified the Company undertakes extensive due diligence process and where appropriate engages competent professional experts to assist with the due diligence process and appropriate documentation of the transaction. The Company's Board is involved in the review of, and approves, all corporate acquisitions.
Integration of acquired businesses	Following the acquisition of new businesses, risks arise in ensuring the business is properly integrated into the IPH Group, that people and culture issues that may arise are addressed, key staff retained and value maintained.	The Company seeks to identify potential post-acquisition risks when assessing potential acquisitions including for cultural fit and matching of expectations, and to mitigate such risks by appropriate transaction and post-acquisition management structures. Steps are taken following acquisition to review and ensure appropriate on-boarding of new acquisitions with IPH governance, policies, processes and practices and levels of financial control and reporting, and to integrate Company and Group approaches to retention of key staff and utilisation of appropriate information technology platforms. The integration of new acquisitions is regularly reviewed by the Company's Board and relevant Board Committees.
Management of an expanded group	With the expansion of the Group to include new business units with multiple offices and across multiple jurisdictions risk may arise with respect to ensuring the appropriate structuring and resourcing of key management and shared services functions and appropriate reporting and oversight of Group operations.	As the Group expands, with the oversight of the Board, the Company reviews and adapts existing management structures to ensure appropriate oversight, reporting requirements, support and resourcing is in place, and that the Company is attracting, retaining and motivating appropriate skilled personnel.

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5. Remuneration report (audited)

Introduction from the Nomination and Remuneration Committee Chair

Dear Shareholders,

On behalf of the Board, I am pleased to present the Remuneration Report for the 2019 financial year.

Professional staff incentive plan

The Equity Incentive Plan introduced in 2017 has proven to be a reward which is valued by eligible staff. The intent of providing a more direct link between individual performance and incentive achievement is being realised. The plan was successfully implemented during the financial year into the AJ Park business as well as for staff from Cullens and FAKC which merged into Spruson & Ferguson from 1 July 2018.

To ensure affordability of the incentive plan with an expanded participation pool, key performance indicators (KPIs) have been strengthened to provide a direct link between individual performance and business performance. In broad terms, half of an incentive achieved (by reference to business unit, practice group and individual targets) in a particular year will be paid in cash and half in IPH Limited shares (issued to the employee and held in trust for a period of three years).

Corporate executive remuneration

Short and long term incentive measures remain in place for the IPH executives.

In broad terms, fixed remuneration is set at median market levels compared to peers with similar revenues and market capitalisation. Fixed remuneration is supplemented with an annual bonus for superior performance awarded at the Board's discretion having regard to the Group's overall performance and the individual executive's performance against agreed KPIs. The long term incentive is structured to align the long term interests of shareholders and executives. Long term incentives will vest over a three year period with reference to EPS performance hurdles.

As the Company evolves as a corporate entity, we will continue to review the remuneration framework for all executives and professional staff, including KMP, to ensure its ability to attract, motivate and retain the talent necessary to run the business, and simultaneously drive behaviour that aligns with the creation of sustainable shareholder value.

We look forward to your support and welcome your feedback on our remuneration report.

Yours sincerely,

John Atkin
Nomination and Remuneration Committee Chair

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5. Remuneration report (audited) Continued →

The remuneration report details the key management personnel ('KMP') remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all Directors.

The remuneration report is set out under the following main topics:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

5.1 Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Nomination and Remuneration Committee ('NRC') is responsible for reviewing and making recommendations to the Board on remuneration packages and policies related to the Directors and other KMP and to ensure that the remuneration policies and practices are consistent with the Group's strategic goals and people objectives. The performance of the Group depends on the quality of its Directors and other KMP. The remuneration philosophy is to attract and retain high quality people, and motivate high performance.

The NRC has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

Alignment to shareholders' interests:

- focuses on sustained growth in earnings per share as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth; and
- provides a clear structure for earning rewards.

EY was engaged by the NRC to provide remuneration advice and other valuation services in relation to Key Management Personnel (KMP), but did not provide the NRC with remuneration recommendations as defined under Division 1, Part 1.2, 9B(1) of the Corporations Act 2001 (Cth). The Board was satisfied that advice received was free from any undue influence by key management personnel to whom the advice may relate because strict protocols were observed and complied with regarding any interaction between EY and management, and because all remuneration advice was provided to the NRC Chair.

5.2 Executive remuneration

The Group aims to reward executives with a level and mix of remuneration based on their position and responsibility, which has both fixed and variable components.

The executive remuneration and reward framework for KMP for FY19 had the following components:

- base salary, short and long term incentives and non-monetary benefits; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the KMP's total remuneration.

Fixed remuneration, consisting of base salary, super-annuation and non-monetary benefits, are reviewed annually by the NRC, based on individual and business unit performance, the overall performance of the Group and comparable market remunerations. Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example, motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

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5.2 Executive remuneration Continued →

Short and long term incentives strengthen alignment with overall performance of the Group and provide a more complete and market-comparable remuneration package. Short term incentives are set at 33% for the CEO and 25% for the CFO, with a stronger focus alignment through the long term incentives at 100% for the CEO and 75% for the CFO. Incentives are also reviewed annually by the NRC.

Long term incentive

Under the long term incentive plan, the CEO and CFO are issued Performance Rights which entitle the holder at the Vesting Date to an equivalent number of Shares subject to satisfying defined vesting conditions.

Performance Rights will vest on the Vesting Date subject to the Company's achievement of a minimum compound annual growth rate (CAGR) in Earnings Per Share over the Performance Period. EPS performance will be assessed on the basis of the Company's EPS performance during the relevant Performance Period compared to the EPS targets for that period as determined by the Board.

The Board will determine a target for EPS for the Performance Period (EPS Target) and a minimum target for EPS for the Performance Period (Minimum EPS Target) prior to any issue from year to year. For vesting to occur, EPS for the Performance Period must be at least equal to the Minimum EPS Target.

EPS targets for the 2019 Plan are:

» Minimum EPS Target – 7% CAGR in EPS over the three year Performance Period ending on 30 June 2021, and

» EPS Target – 15% CAGR in EPS over the three year Performance Period ending on 30 June 2021.

The table below outlines how Performance Rights issued in 2019 will vest based on the Company's EPS performance over the Performance Period (measured by calculating the CAGR between EPS for FY18 and EPS for FY21).

EPS in FY21	Percentage of Performance Rights that vest
Less than 7% CAGR in EPS over the Performance Period	Nil vesting
Equal to 7% CAGR in EPS over the Performance Period	20% vesting
CAGR in EPS greater than 7%, up to and including 10% CAGR in EPS over the Performance Period	Pro-rated vesting (i.e. on a straight-line basis) between 20.01% and 65%
CAGR in EPS greater than 10%, up to and including 15% CAGR in EPS over the Performance Period	Pro-rated vesting (i.e. on a straight-line basis) between 65.01% and 100%
At or above 15% CAGR in EPS over the Performance Period	100% vesting

Dividends will not be paid on Performance Rights.

5.3 Company performance

For the year to 30 June 2019 the overall financial performance of the Group met the threshold whereby a proportion of the STI related to financial performance to KMP was paid. KMP were then assessed on their individual non-financial KPIs on which a further proportion of the STI was paid. Finally, taking into account: the Group's financial performance in FY19, the completion of the XIP Group acquisition; the completion of the divestment of two sets of Practice Insight products; and further progress against the Group's strategic objectives, the Board awarded a further discretionary STI component.

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The Group's performance and the consequences on shareholders financial wealth in the last five financial years is summarised below:

	2015	2016	2017	2018	2019
NPAT ('000)	30,589	38,843	42,893	40,673	53,112
EPS (cents per share)	19.51	21.92	22.46	20.79	26.91
Dividends Paid ('000)	5,514	36,837	40,924	42,823	51,360
Total Dividends (cents per share)	3.5	21.0	22.0	22.5	25.0
Share Price (30 June closing price)	$4.70	$6.42	$4.80	$4.45	$7.46
Return of Capital ('000)	-	-	-	2,727	-

5.4 Non-executive Directors remuneration

Fees and payments to Non-executive Directors reflect the demands and responsibilities of their role. Non-executive Directors' fees and payments are reviewed periodically by the NRC. The NRC may, from time to time, receive advice from independent remuneration consultants to ensure Non-executive Directors' fees and payments are appropriate and in line with the market.

The Chairman's fees are determined independently from the fees of other Non-executive Directors based on comparative roles in the external market. Non-executive Directors do not receive share options or other incentives and their remuneration must not include a commission on, or a percentage of, operating revenue.

ASX listing rules require the aggregate Non-executive Directors remuneration be determined periodically by a general meeting. Under the Company's Constitution and as set out in the IPO Prospectus, total aggregate remuneration available to Non-executive Directors is set currently at $750,000 per annum.

Non-executive Director fees paid (Directors' fees and committee fees) (inclusive of superannuation) for the year ended 30 June 2019 are summarised as follows:

Name - Position	FY2019 Fees
Richard Grellman AM – Chairman	250,000
John Atkin – Director	140,000
Robin Low – Director	140,000
Jingmin Qian – Director[1]	35,000
	565,000

[1] Fees paid from the date of commencement on 1 April 2019

The Non-executive Directors are not entitled to participate in any employee incentive scheme (including the LTIP).

Directors may also be reimbursed for expenses reasonably incurred in attending to the Company's affairs. Non-executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as a Director of the Group. There is no contractual redundancy benefit for Directors, other than statutory superannuation contributions.

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5.5 Details of remuneration

Amounts of remuneration

The key management personnel of the Group consisted of the following Directors of IPH Limited:

- Richard Grellman, AM – Non-executive Chairman
- Andrew Blattman – Managing Director and Chief Executive Officer
- John Atkin – Non-executive Director
- Robin Low – Non-executive Director
- Jingmin Qian – Non-executive Director (commenced 1 April 2019)

And the following persons:

- John Wadley – Chief Financial Officer

		Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
		Cash salary and fees $	Cash bonus $	Non-monetary $[1]	Super-annuation $	Employee Leave $[2]	Equity-settled $[3]	Total $
Non-Executive Directors:								
Richard Grellman	2019	228,312	-	-	21,688	-	-	250,000
	2018	203,444	-	-	16,556	-	-	220,000
John Atkin	2019	127,854	-	-	12,146	-	-	140,000
	2018	105,023	-	-	9,977	-	-	115,000
Robin Low	2019	127,854	-	-	12,146	-	-	140,000
	2018	105,023	-	-	9,977	-	-	115,000
Jingmin Qian[4]	2019	31,963	-	-	3,037	-	-	35,000
Executive Directors:								
Andrew Blattman[5]	2019	879,467	225,000	(3,838)	25,729	66,302	535,247	1,727,907
	2018	729,946	-	20,733	25,155	98,788	242,427	1,117,049
Former Directors:								
Sally Pitkin[6]	2018	31,962	-	-	3,038	-	-	35,000
David Griffith[7]	2018	282,908	-	-	7,763	4,812	-	295,483
Other Key Management Personnel:								
John Wadley	2019	524,362	135,000	19,203	21,165	-	160,574	860,304
	2018	435,737	-	5,693	20,618	-	72,728	534,776
Former Key Management Personnel:								
Kristian Robinson[8]	2018	148,684[9]	-	-	11,513[9]	2,386	16,921	179,504

1. Non-monetary benefits represent the movement in the accrued annual leave balance during the year
2. Employee Leave balances represent the movement in accrued long service leave balances during the year.
3. Accounting charge based on the fair value of the award at date of grant. Total number of rights are included in the performance rights holding table at the end of this report.
4. Jingmin Qian commenced as a director from 1 April 2019
5. Andrew Blattman became an Executive Director on 20 November 2017. Comparative balances represent remuneration for the full year.
6. Sally Pitkin ceased to be a Non-Executive Director on 20 November 2017. Balances represent remuneration to this date.
7. David Griffith ceased to be an Executive Director on 20 November 2017. Balances represent remuneration to this date.
8. Kristian Robinson ceased to be a KMP on 20 November 2017 reflecting changes in the management structure of the expanded Group. Balances represent remuneration to this date.
9. Remuneration received in Singapore Dollars. Translated at the average exchange rate for the period to November 17 of S$1.0631

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5.6 Service agreements

Remuneration and other terms of employment for KMP are formalised in service or employment agreements. Details of these agreements are as follows:

Dr Andrew Blattman, Managing Director and Chief Executive Officer

» Remuneration package (inclusive of superannuation) for the year ended 30 June 2019 of $900,000. Annual superior performance bonus of up to 33.33% of remuneration and a long term incentive opportunity of 100% of remuneration.

John Wadley, Chief Financial Officer.

» Remuneration package (inclusive of superannuation) for the year ended 30 June 2019 of $540,000. Annual superior performance bonus of up to 25% of remuneration and a long term incentive opportunity of 50% of remuneration.

KMP may terminate their employment contract by giving six months' notice in writing. Contracts may be terminated by the Company with six months' notice. In the event of serious misconduct or other specific circumstances warranting summary dismissal, the Company may terminate the employment contract immediately and without notice or payment in lieu of notice. Upon termination of the employment contract, the KMP will be subject to a restraint of trade period of 12 months throughout Australia, New Zealand and Singapore. The enforceability of the restraint is subject to all usual legal requirements.

KMP have no entitlement to termination payments in the event of removal for misconduct. Andrew Blattman receives five weeks annual leave.

5.7 Additional disclosures relating to key management personnel

The following disclosures relate only to equity instruments in the Company or its subsidiaries.

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

30 June 2019	Balance at the start of the year	Additions	Disposals	Balance at the end of the year
Ordinary shares				
Richard Grellman	71,449	-	-	71,449
Andrew Blattman	4,506,166	-	(2,000,000)	2,506,166
John Atkin	115,829	-	-	115,829
Robin Low	74,214	-	-	74,214
Jingmin Qian	-	-	-	-
John Wadley	401	-	-	401
	4,768,059	-	(2,000,000)	2,768,059

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Shareholding Continued →

30 June 2018	Balance at the start of the year	Additions	Disposals	Balance at the end of the year
Ordinary shares				
Richard Grellman	67,586	3,863	-	71,449
Andrew Blattman	4,506,166	-	-	4,506,166
John Atkin	97,292	18,537	-	115,829
Robin Low	65,804	8,410	-	74,214
John Wadley	379	22	-	401
Sally Pitkin[1]	53,841	-	(53,841)	-
David Griffith[2]	2,598,765	-	(2,598,765)	-
Kristian Robinson[3]	1,038,991	-	(1,038,991)	-
	8,428,824	30,832	(3,691,597)	4,768,059

1. Sally Pitkin ceased to be a Director on 20 November 2017. Disposal represents no longer being designated as a Director, not necessarily a disposal of holding.
2. David Griffith ceased to be a KMP on 19 November 2017. Disposal represents no longer being designated as a KMP, not necessarily a disposal of holding.
3. Kristian Robinson ceased to be a KMP on 20 November 2017. Disposal represents no longer being designated as a KMP, not necessarily a disposal of holding.

Option holding

No options over ordinary shares in the Company were held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties.

Performance rights holding

The number of performance rights issued to KMPs is set out below:

30 June 2019	Plan[1]	Grant Date	Vesting Date	Rights Granted	Fair Value per Right	Total Fair Value at Grant Date	Expense at Year End	% Vested	% Forfeited
Andrew Blattman	2018	20 Nov 17	1 Sep 20	156,780	4.91	769,790	242,427	-	-
	2019	26 Nov 18	1 Sep 21	198,676	4.68	929,804	292,820		
John Wadley	2018	20 Nov 17	1 Sep 20	47,034	4.91	230,937	72,728	-	-
	2019	26 Nov 18	1 Sep 21	59,603	4.68	278,942	87,846		
				462,093		2,209,473	695,821		

1. Financial year in which the award is granted.

This concludes the remuneration report, which has been audited.

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6. Shares under performance and retention rights

Details of unissued shares or interests under performance and retention rights at the date of this report are:

Issuing entity	Type	Number of shares	Class	Exercise Price	Expiry Date
IPH Limited	Performance	1,443,542	Ordinary	0.00	Up to April 2022
IPH Limited	Retention	70,303	Ordinary	0.00	Up to August 2019

7. Shares under option

There were no unissued ordinary shares of IPH Limited under option at the date of this report.

8. Dividends

Dividends paid during the financial year were as follows:

Final dividend of 11.0 cents per share for the year ended 30 June 2018, paid on 12 September 2018. (50% franked)	21,706
Interim dividend of 12.0 cents per share for the year ended 30 June 2019, paid on 13 March 2019. (50% franked)	23,680

9. Significant changes in the state of affairs

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

10. Matters subsequent to the end of the financial year

On 12th April 2019, IPH announced that it had entered into a scheme of arrangement with Xenith IP Limited to acquire the remaining 80.1% of shares it did not own at $2.15 per share. The scheme of arrangement was approved by shareholder vote on 25th July 2019 and approved by the Federal Court of Australia on 1st August 2019. The implementation date for the acquisition was 15th August 2019.

The value of the shares acquired was $153.6m, funded by the drawdown of $46.1m from existing debt facilities and the issuance of 15.6m new IPH Shares.

11. Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

12. Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

13. Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

14. Proceedings on behalf of the Company

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

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15. Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 27 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in Note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

16. Officers of the Company who are former partners of Deloitte Touche Tohmatsu

There are no officers of the Company who are former partners of Deloitte Touche Tohmatsu.

17. 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 annual financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

18. 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.

19. Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2) (a) of the Corporations Act 2001.



Dr. Andrew Blattman
Managing Director
20 August 2019, Sydney

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Deloitte.

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

20 August 2019

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 audit of the financial report of IPH Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

H Fortescue
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte Network.



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Financial Statements

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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30th June 2019

	Note	Consolidated 30 June 2019 $'000	Consolidated 30 June 2018 $'000
Revenue	5	252,544	221,956
Other income	6	7,054	4,100
Expenses			
Employee benefits expense		(68,634)	(65,282)
Depreciation and amortisation expenses	7	(12,655)	(13,092)
Rental expenses	7	(8,086)	(8,511)
Business acquisition costs		(3,724)	(1,158)
Agent fee expenses		(74,567)	(65,983)
Insurance expenses		(2,122)	(1,010)
Travel expenses		(2,278)	(1,992)
Other expenses	7	(14,239)	(14,171)
Finance costs	7	(2,661)	(1,537)
Profit before income tax expense		70,632	53,320
Income tax expense	8	(17,521)	(12,647)
Profit after income tax expense for the year		53,111	40,673
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		3,857	167
Items that will not be reclassified subsequently to profit or loss			
Fair value gain on investment in equity instruments		4,478	-
Other comprehensive income for the year, net of tax		8,335	167
Total comprehensive income for the year		61,446	40,840
Profit for the year is attributable to:			
Owners of IPH Limited		53,111	40,673
		53,111	40,673
Total comprehensive income for the year is attributable to:			
Owners of IPH Limited		61,446	40,840
		61,446	40,840
Earnings per share			
From continuing operations			
Basic earnings (cents per share)	37	26.91	20.79
Diluted earnings (cents per share)	37	26.75	20.69

These statements should be read in conjunction with the following notes.

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Statement of Financial Position

For the year ended 30th June 2019

	Note	Consolidated 30 June 2019 $'000	Consolidated 30 June 2018 $'000
Current assets			
Cash and cash equivalents	9	35,263	26,213
Trade and other receivables	10	63,406	57,112
Investment in financial assets	12	39,194	-
Other	11	7,317	5,342
Total current assets		145,180	88,667
Non-current assets			
Property, plant and equipment	13	6,693	6,183
Intangibles	14	255,054	266,303
Other assets		176	180
Deferred tax	15	7,793	6,557
Total non-current assets		269,716	279,223
Total assets		414,896	367,890
Current liabilities			
Trade and other payables	16	18,874	16,722
Income tax payable		10,222	6,316
Provisions	17	8,110	8,052
Other financial liabilities	18	200	402
Contract liabilities		179	1,106
Total current liabilities		37,585	32,598
Non-current liabilities			
Borrowings	19	65,470	40,102
Deferred tax	15	22,368	22,931
Provisions	20	4,723	4,671
Total non-current liabilities		92,561	67,704
Total liabilities		130,146	100,302
Net assets		284,750	267,588
Equity			
Issued capital	21	262,763	262,763
Reserves	22	(2,025)	(11,461)
Retained profits	23	24,012	16,286
Total equity attributable to owners of IPH Limited		284,750	267,588

These statements should be read in conjunction with the following notes.

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Statement of Changes in Equity

For the year ended 30th June 2019

	Issued Capital	Foreign Currency Translation Reserve	Minority Interest Reserve	Equity Settled Employee Benefits Reserve	Other 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 after income tax expense for the year	-	-	-	-	-	40,673	40,673
Effect of foreign exchange differences	-	167	-	-	-	-	167
Total comprehensive income for the year	-	167	-	-		40,673	40,840
Transactions with owners in their capacity as owners:							
Issue of ordinary shares as consideration for a business combination, net of transaction costs	27,036	-	36	-	-	-	27,072
Share buy back	(2,727)	-	-	-	-	-	(2,727)
Dividend Reinvestment plan	4,856	-	-	-	-	-	4,856
Share-based payments	-	-	-	676	-	-	676
Dividends paid (Note 24)	-	-	-	-	-	(42,823)	(42,823)
Balance at 30 June 2018	262,763	1	(14,814)	3,352	-	16,286	267,588
Balance at 1 July 2018	262,763	1	(14,814)	3,352	-	16,286	267,588
Profit after income tax expense for the year	-	-	-	-	-	53,111	53,111
Effect of foreign exchange differences	-	3,857	-	-	-	-	3,857
Fair value gain on investment in equity instruments designated at FVTOCI	-	-	-	-	4,478	-	4,478
Total comprehensive income for the year	-	3,857	-	-	4,478	53,111	61,446
Transactions with owners in their capacity as owners:							
Share-based payments charge	-	-	-	2,200	-	-	2,200
Share-based payments vested	-	-	-	(1,099)	-	-	(1,099)
Dividends paid (Note 24)	-	-	-	-	-	(45,385)	(45,385)
Balance at 30 June 2019	262,763	3,858	(14,814)	4,453	4,478	24,012	284,750

These statements should be read in conjunction with the following notes.

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Statement of Cash Flows

For the year ended 30th June 2019

		Consolidated	
	Note	30 June 2019	30 June 2018
		$'000	$'000
Cash flows from operating activities			
Receipts from customers		280,534	240,447
Payments to suppliers and employees		(199,082)	(175,495)
Interest received	6	92	29
Interest and other finance costs paid	7	(2,661)	(1,537)
Income taxes paid		(17,333)	(16,987)
Net cash from operating activities	36	61,550	46,457
Cash flows from investing activities			
Payments for purchase of subsidiaries, net of cash acquired	32	-	(38,621)
Proceeds from sale of Practice Insight businesses	33	10,160	-
Payments for investments		(32,796)	-
Payments for property, plant and equipment	13	(2,274)	(745)
Payments for internally developed software	14	(3,616)	(3,269)
Dividends received		576	-
Net cash used in investing activities		(27,950)	(42,635)
Cash flows from financing activities			
Share buy back	21	-	(2,727)
Dividends paid	24	(45,386)	(37,967)
Proceeds of borrowings		34,180	46,023
Repayment of borrowings		(10,576)	(7,000)
Net cash (used in)/from financing activities		(21,782)	(1,671)
Net (decrease)/increase in cash and cash equivalents		11,818	2,152
Cash and cash equivalents at the beginning of the financial year		26,213	24,398
Effects of exchange rate changes on cash and cash equivalents		(2,768)	(336)
Cash and cash equivalents at the end of the financial year	9	35,263	26,213

These statements should be read in conjunction with the following notes.

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Note 1. General information

The financial statements cover IPH Limited as a Group consisting of IPH Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is IPH Limited's functional and presentation currency.

IPH Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 24, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 20 August 2019.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Group 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.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Statement of compliance

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

Basis of preparation

The financial statements have been prepared under the historical cost convention except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 31.

Principles of consolidation

The consolidated financial statements are those of the consolidated entity ("the Group"), comprising the financial statements of the parent entity and all of the entities the parent controls. The Company controls an entity when it has power over the investee and the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

External non-controlling interests are allocated their share of total comprehensive income and are presented within equity in the consolidated Statement of Financial Position, separately from the equity of shareholders.

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When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Foreign currency translation

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

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary 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 transactions entered into in order to hedge certain foreign currency risks; and

» exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment.

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

» income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

» assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the balance date; and

» all resulting exchange differences are recognised in other comprehensive income, in the foreign currency translation reserve.

Goodwill and fair value accounting adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

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.

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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 Group 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 Group and the amount of revenue can be measured reliably. Interest income is recognised on an accruals basis.

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).

Contract assets

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

Disbursements recoverable

Recoverable client disbursements recorded in contract assets are recognised when services are provided. The amount recognised is net of any GST payable. Internally generated disbursements are credited directly to the profit & loss as they are charged to a client matter.

Disbursements older than 60 days are constantly reviewed and any not thought to be recoverable are written off.

Income tax

The income tax expense or benefit is the tax payable on the current periods taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available to utilise those temporary differences and losses.

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

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

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

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

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Current and deferred tax for the period

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

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group which was formed on 3 September 2014. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax consolidated group is IPH Limited.

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

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

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

Financial instruments

Financial assets

Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL). Financial assets are initially recognised at fair value on the trade date, including, in the case of instruments not recorded at fair value through profit or loss, directly attributable transaction costs. Subsequently, financial assets are carried at fair value (equity investments, trade receivables and derivatives) or amortised cost adjusted for any loss allowance (loans and other receivables).

Impairment of financial assets

The impairment approach is based on expected credit losses (ECL model) for financial assets held at amortised cost and fair value through other comprehensive income. Therefore, it is not necessary for a loss event to have occurred before credit losses are recognised. Instead, a loss allowance is always recognised for ECL and is re-measured at each reporting date for changes in those expected credit losses. ECL represent are probability-weighted estimate of credit losses over the expected life of the financial instrument. Because ECL consider both the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

For financial assets, a credit loss is the present value of the difference between: (i) the contractual cash flows that are due under the contract; and (ii) the cash flows expected to be received.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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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 consolidated Statement of Financial Position.

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.

The Group's receivables balances are subject to an assessment of 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

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

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

Financial liabilities

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

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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.

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

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 amortised 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.

Leasehold improvements	6-15 years
Plant and equipment	2-20 years
Furniture, fixtures and fittings	5-20 years
Computer equipment	3-5 years

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.

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Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are measured at their fair value at the date of the acquisition.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently of events or changes in circumstances indicate that it might be impaired and it is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit and loss and not subsequently reversed.

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

Customer relationships

Customer relationships are the assessed value of the supply of goods and services that exist at the date of acquisition. In valuing customer relationships, consideration is given to historic customer retention and decay statistics, projected future cash flows and appropriate capital charges.

Customer relationships are amortised over a period of 10 years. The estimated useful lives, residual values and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Trade marks

Trade marks are intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Software acquired

Software acquired through a business combination is assessed as the identifiable value of that software at the date of acquisition. Acquired software is amortised over a period of four years.

Internally-generated intangible assets

Internally-generated intangible assets, including software, arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

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.

The useful lives of internally-generated intangible assets are as follows:

Software	3 years

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.

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Impairment of assets

Goodwill and other assets that have an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136 'Impairment of Assets'. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that 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).

Provisions

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

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

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

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 Group 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 Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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.

Employee benefits

Short and long-term employee benefit

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

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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 Group in respect of services provided by the employees up to reporting date.

Retirement benefit costs

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

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. Borrowings are initially recognised at fair value, net of transaction costs and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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 consolidated 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.

Share-based payments

Equity settled share-based compensation benefits are provided to employees. Equity settled transactions are awards of shares, options or rights, which are provided in exchange for the rendering of services. Equity settled share-based payments are measured at the fair value of the equity instruments at the grant date.

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

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements (Note 25). Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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Issued capital

Ordinary shares are classified as equity.

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

Dividends

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

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase, the difference is recognised as a gain directly in profit or loss on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and any previously held equity interest.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. Contingent consideration is classified either as equity or a financial liability. Amounts classified as financial liability are subsequently remeasured to fair value with changes to fair value recognised in profit or loss.

Business combinations are initially accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the Group receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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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 annual financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Adoption of new accounting standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2018.

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.

AASB 9 introduces new classes of financial instrument and associated terminology. The table below shows information relating to financial assets that have been reclassified as a result of transition to AASB 9:

	Original Measurement Category under AASB 139	New Measurement Category under AASB 9
Cash & Cash Equivalents	Fair Value through Profit and Loss	Amortised cost
Trade & Other Receivables	Loans and Receivables	Amortised cost
Trade & Other Payables	Amortised cost	Amortised cost
Other Financial Liabilities	Fair Value through Profit and Loss	Fair Value through Profit and Loss
Borrowings	Amortised cost	Amortised cost

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

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 'Revenue from Contracts with Customers' from 1 July 2018. AASB 15 requires 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 4.

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

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New and revised standards not yet effective

AASB 16 Leases

AASB 16 'Leases' is currently applicable to annual reporting periods beginning on or after 1 January 2019 and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

From a lessee perspective, at the commencement date of a lease, a lessee will recognise a liability to make lease payments ('lease liability') and an asset representing the right to use the underlying asset during the lease term ('right-of-use asset'). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Over the life the liability incurs interest and is reduced as lease payments are made and the asset is amortised over its useful life.

The new standard is expected to impact leases which are currently classified by the Group as operating leases, being mainly leases over premises and equipment. On adoption the Group will apply an exemption under the new standard and not recognise low value leases and leases with a term of less than 12 months on the balance sheet.

The Group plans to adopt AASB 16 using the modified retrospective method, with the effect of a balance sheet gross up of the lease liability of approximately $33.5m, right of use asset of approximately $32.0m and a transition adjustment to retained earnings of approximately $1.5m.

Implementation of the standard will increase reported EBITDA going forward as a result of rental expense being replaced by depreciation and an interest charge. The impact of this change is an increase in interest expense of approximately $1.5m, depreciation of approximately $5.7m and increase in EBITDA of approximately $6.9m.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events of changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.

Customer relationships are finite intangible assets and are amortised over their expected life. Assets subject to amortisation are reviewed for impairment whenever events or circumstances arise that indicates that the carrying amount of the asset may be impaired.

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Note 4. 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 and Analytics 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.

Intellectual Property Services Australia & New Zealand	Related to the provision of filing, prosecution, enforcement and management of patents, designs, trade marks and other IP in Australia and New Zealand.
Intellectual Property Services Asia	Related to the provision of filing, prosecution, enforcement and management of patents, designs, trade marks and other IP in Asia.
Data and Analytics Software	Develops and provides IP data and analytics software under a subscription license model.

The CODM reviews profit before interest, income 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 reported to the CODM is 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.

Reliance on major customers

Maximum revenue from any customer is less than 2% of overall revenue of the Group. Country of origin of revenue has not been disclosed as this is commercially sensitive information.

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Notes to the Financial Statements

Note 4. Operating segments Continued →

30 June 2019 Consolidated	Intellectual Property Services: Australia & NZ	Intellectual Property Services: Asia	Data and analytics software	Corporate	Intersegment eliminations / unallocated	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
Sales to external customers	163,344	89,200	-	-	-	252,544
Intersegment sales	856	3,669	-	-	(4,525)	-
Total sales revenue	164,200	92,869	-	-	(4,525)	252,544
Other revenue	7,446	591	477	(20)	(4,390)	4,105
Total revenue	171,646	93,460	477	(20)	(8,914)	256,649
Less: Overheads	(109,827)	(54,843)	(1,904)	(10,020)	9,638	(166,956)
Earnings before interest, tax, depreciation and amortisation (EBITDA), before adjustments	61,818	38,617	(1,427)	(10,040)	724	89,692
Less: Depreciation	(1,119)	(233)	(53)	(97)	-	(1,549)
Less: Amortisation	(8,510)	(1,169)	(519)	(984)	30	(11,105)
Less: Management Charges	2,324	(8,071)	-	5,748	-	
Segment result: (Profit before interest, tax and adjustments)	54,513	29,144	(1,998)	(5,374)	754	77,039

Reconciliation of segment result	
Segment result	77,039
Adjustments to statutory result:	
» Business acquisition costs	(3,477)
» New business establishment costs	(31)
» Restructuring expenses	(985)
» Profit on sale of Practice Insight business	2,857
» Share-based payments	(2,200)
Total adjustments	(3,837)
Interest income	92
Finance costs	(2,661)
Profit for the period before income tax expense	70,632
Reconciliation of segment revenue	
Segment revenue	256,649
Profit on sale of Practice Insight business	2,857
Interest income	92
Total revenue	259,598

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30 June 2018 Consolidated	Intellectual Property Services: Australia & NZ	Intellectual Property Services: Asia	Data and analytics software	Corporate	Intersegment eliminations / unallocated	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
Sales to external customers	146,655	75,301	-	-	-	221,956
Intersegment sales	802	2,539	-	-	(3,341)	-
Total sales revenue	147,457	77,840	-	-	(3,341)	221,956
Other revenue	7,910	128	1,212	(1,209)	(3,971)	4,070
Total revenue	155,367	77,968	1,212	(1,209)	(7,312)	226,026
Less: Overheads	(101,220)	(46,822)	(3,921)	(7,158)	7,099	(152,022)
Earnings before interest, tax, depreciation and amortisation (EBITDA), before adjustments	54,147	31,146	(2,709)	(8,367)	(213)	74,004
Less: Depreciation	(1,131)	(204)	(24)	(139)	-	(1,498)
Less: Amortisation	(7,716)	(1,005)	(1,961)	(934)	22	(11,594)
Less: Management Charges	3,937	(5,491)	-	1,554	-	-
Segment result: (Profit before interest, tax and adjustments)	49,237	24,446	(4,694)	(7,886)	(191)	60,912

Reconciliation of segment result	
Segment result	60,912
Adjustments to statutory result:	
» Business acquisition costs	(982)
» Business acquisition adjustments	642
» New business establishment costs	(786)
» Restructuring expenses	(2,134)
» Share-based payments	(676)
Total adjustments	(3,936)
Interest income	29
Finance costs	(1,537)
Impairment of intangible assets	(2,148)
Profit for the period before income tax expense	53,320
Reconciliation of segment revenue	
Segment revenue	226,026
Interest income	29
Total revenue	226,056

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Note 5. Sales revenue

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Revenue from the rendering of services	252,544	221,956
	252,544	221,956

Note 6. Other income

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Net realised foreign exchange gain/(loss)	1,866	(270)
Net unrealised foreign exchange (loss)/gain	(536)	826
Dividends received	576	-
Profit on sale of Practice Insight businesses (Note 33)	2,857	-
Other income	843	2,063
Commission	1,356	1,452
Interest	92	29
	7,054	4,100

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Note 7. Expenses

Profit before income tax includes the following specific expenses:

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Depreciation	1,549	1,498
Amortisation – Acquired Intangibles	9,214	9,362
Amortisation – Software Development	1,891	2,232
	12,655	13,092
Share-based payments (Note 38)	2,200	676
Superannuation expense	3,740	3,780
Deferred acquisition and deferred settlement costs remeasurement	-	(642)
Other expenses:		
Professional fees	2,732	2,020
IT & Communication	3,066	2,471
Office expenses	1,766	1,798
Other	6,676	5,734
Impairment of FAKC & Cullens trademarks (Note 14)	-	2,148
	14,239	14,171
Finance costs		
Interest on bank facilities – Overdraft	21	9
Interest on bank facilities – Loan	1,859	754
Other interest expense – Facility fees	781	774
	2,661	1,537
Rental expense relating to operating leases		
Minimum lease payments	8,086	8,511

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Note 8. Income tax expense

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Income tax expense		
Current tax	21,905	16,080
Deferred tax	(4,114)	(3,754)
(Over) / Under provided in prior years	(270)	321
Aggregate income tax expense	17,521	12,647
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (Note 15)	(1,144)	(1,500)
Decrease in deferred tax liabilities (Note 15)	(2,970)	(2,254)
	(4,114)	(3,754)
Reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	70,632	53,320
Tax at the statutory tax rate of 30%	21,190	15,996
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent differences	391	172
Equity settled share-based payments	27	(905)
Acquisition costs	329	277
Difference in overseas tax rates	(3,887)	(3,146)
Losses not brought to account	28	195
Under / (Over) provision with respect to current tax in prior years	(331)	340
Other	(226)	(282)
Income tax expense	17,521	12,647

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Note 9. Current assets – cash and cash equivalents

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Cash on hand	314	89
Cash at bank	34,099	26,124
Term Deposit	850	-
	35,263	26,213

Note 10. Current assets – trade and other receivables

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Trade receivables	64,655	57,930
Less: loss allowance	(1,249)	(818)
	63,406	57,112

Impairment of receivables

The Group has recognised a loss of $727,000 (2018: $381,000) in profit or loss in respect of receivables for the year ended 30 June 2019. The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Past due more than 91 days	1,249	818

Note 10. Current assets – trade and other receivables Continued →

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Opening balance	818	739
Additions through business combinations	-	94
Additional provisions recognised	727	381
Receivables written off during the year as uncollectable	(296)	(396)
Closing balance	1,249	818

Past due but not impaired

Customers with receivable balances past due but without provision for impairment, amount to $22,932,000 as at 30 June 2019 (2018: $19,262,000). The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
31 to 60 days overdue	17,290	14,913
61 to 90 days overdue	1,790	1,278
Past due more than 91 days	3,853	3,071
	22,933	19,262

Ageing has been calculated with reference to the trading terms of local clients (30 days) and international clients (90 days). No interest is charged on outstanding trade receivables.

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Note 11. Current assets – other

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Prepayments	2,518	1,459
Contract assets	2,524	2,192
Foreign exchange contracts	28	-
Other current assets	2,247	1,691
	7,317	5,342

Note 12. Investments

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Investment in equity instruments[1]	39,194	-
	39,194	-

1. IPH acquired an equity interest of 19.9% in Xenith IP Group on 13 February 2019. This has been designated at Fair Value Through Other Comprehensive Income.

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Note 13. Non-Current assets – property, plant and equipment

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Leasehold improvements – at cost	7,287	7,355
Less: Accumulated depreciation	(3,376)	(3,545)
	3,911	3,810
Plant and equipment – at cost	1,024	1,258
Less: Accumulated depreciation	(853)	(984)
	171	274
Furniture, fixtures and fittings – at cost	4,162	3,853
Less: Accumulated depreciation	(3,118)	(3,024)
	1,044	829
Computer equipment – at cost	13,119	12,915
Less: Accumulated depreciation	(11,553)	(11,645)
	1,566	1,270
	6,693	6,183

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Reconciliations

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

Consolidated	Leasehold improvements	Plant and equipment	Furniture, fixtures and fittings	Computer equipment	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017	1,610	292	407	695	3,004
Additions	1,394	180	33	673	2,280
Additions through business combinations	1,252	-	726	686	2,664
Disposals / Transfers	(45)	-	(205)	(51)	(301)
Exchange differences	2	5	20	7	34
Depreciation expense	(403)	(203)	(152)	(740)	(1,498)
Balance at 30 June 2018	3,810	274	829	1,270	6,183
Additions	595	36	514	1,128	2,274
Disposals / Transfers	-	(41)	(151)	(35)	(226)
Exchange differences	4	3	3	2	13
Depreciation expense	(499)	(100)	(151)	(799)	(1,549)
Balance at 30 June 2019	3,911	171	1,044	1,566	6,693

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Note 14. Non-Current assets – intangibles

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Goodwill – at cost	184,648	185,223
Patents and trade marks – at cost	4,189	4,237
	188,838	189,460
Capitalised software development – at cost	7,999	8,871
Less: Accumulated amortisation	(4,518)	(4,648)
	3,481	4,223
Software acquired	-	3,805
Less: Accumulated amortisation	-	(3,015)
	-	790
Customer relationships	90,950	90,950
Less: Accumulated amortisation	(28,215)	(19,120)
	62,735	71,830
	255,054	266,303

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Reconciliations

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

Consolidated	Goodwill	Patents and trade marks	Customer relationships	Capitalised software development	Software Acquired	Total
	$'000	$'000	$'000	$'000	$'000	$'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	-	33	-	3,584	-	3,616
Disposals (Note 33)	(3,834)	(80)	-	(2,432)	(671)	(7,017)
Exchange differences	3,259	-	1	(3)	-	3,256
Amortisation expense	-	-	(9,095)	(1,891)	(119)	(11,105)
Balance at 30 June 2019	184,648	4,189	62,735	3,481	-	255,054

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.

Impairment testing

For the purposes of impairment testing, goodwill is allocated to cash generating units (CGU's) that are an identifiable group of assets that generate cash associated with the goodwill.

On 30 June 2018 Fisher Adams Kelly Callinans (FAKC) and Cullens were merged with Spruson & Ferguson Australia. The goodwill relating to the former FAKC and Cullens CGU's is now assessed within the Spruson & Ferguson Australia CGU.

A summary of the goodwill by CGU is set out on the right:

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
CGU		
Spruson & Ferguson Australia	52,958	52,958
Practice Insight	-	3,834
Pizzeys	68,158	68,158
AJ Park	42,468	40,653
Spruson & Ferguson (Hong Kong)	20,758	19,314
Other	306	306
Total	184,648	185,223

Note 14. Non-Current assets – intangibles Continued →

The recoverable amount of a CGU is determined primarily utilising a value-in-use calculation and secondly based on estimated net selling prices. Value-in-use calculations use cash flow projections based on financial budgets prepared by management and approved by the Board. Cashflows 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 terminal growth rates do not exceed the average growth rates that the business has experienced and are generally lower than the short-term growth rates assumed.

Key assumptions used for value-in-use calculations

	5 yr EBITDA CAGR		Terminal growth rates	Discount rates	
CGU	2019 %	2018 %	%	PRE-TAX 2019 & 2018 %	POST-TAX 2019 & 2018 %
Spruson & Ferguson Australia[1]	4.3	4.4	2.5	15	10.5
Pizzeys	7.1	6.2	2.5	15	10.5
AJ Park	3.8	6.9	2.5	15	10.5
Spruson & Ferguson Hong Kong	19.4	18.6	2.5	15	10.5

1. CGU for testing the former FAKC & Cullens goodwill. Prior year CAGR percentage is the average for FAKC & Cullens.

The post-tax discount rate has been applied to discount the future attributable post-tax cash flows.

At 30 June 2019, the assessed value-in-use for each CGU exceeded the carrying amounts of the CGU and no impairment loss was recognised.

Impact of possible change in key assumptions

No impairment charge in any CGU would arise as a result of the following changes in assumptions:

- holding all assumptions constant, if the forecast cashflows in years 1 to 5 declined by 5%
- holding all assumptions constant, if the discount rate increased by 0.5%
- holding all assumptions constant, if the terminal rate declinded by 0.5%

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 3% or an increase in the post tax discount rate of 0.88% would result in the carrying value of the Pizzeys CGU to equal the recoverable amount.

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Note 15. Deferred tax assets / liabilities

	Opening balance	Recognised in profit or loss	Acquisitions	Recognised in equity	Closing balance
	$'000	$'000	$'000	$'000	$'000
The net deferred tax liability comprises the following balances:					
Loss allowance	66	166			232
Property, plant and equipment	135	239			374
Provisions	1,983	297			2,280
Accrued expenses	250	499			749
Unbilled revenue	(316)	(92)			(408)
Prepayments	(4)	(1)			(5)
Foreign exchange	45	553			598
Transaction costs	758	83			841
Leased assets	622	88			710
Software	975	(679)	(396)		(100)
Intangible assets – Customer Relationships	(21,075)	2,580			(18,495)
Intangible assets – Trade marks	(405)	-			(405)
Sundry	592	380			972
Fair value movement on Investments	-	-		(1,919)	(1,919)
	(16,374)	4,114	(396)	(1,919)	(14,575)

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Disclosed as:		
Deferred tax asset	7,793	6,557
Deferred tax liability	(22,368)	(22,931)
	(14,575)	(16,374)

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Note 16. Current liabilities – trade and other payables

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Trade payables	9,203	11,104
Sundry creditors and accruals	9,671	5,618
	18,874	16,722

Note 17. Current liabilities – provisions

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Employee benefits	6,331	6,393
Provision for onerous lease[1]	-	750
Other provisions	1,779	909
	8,110	8,052

1. The termination date of the lease was reached during the financial year.

Note 18. Current liabilities – other financial liabilities

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Preference shares	200	200
Foreign exchange contracts	-	202
	200	402

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Note 19. Borrowings

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Non Current		
Multicurrency loan facility	65,470	40,102
	65,470	40,102

On 11 February 2019, the Group entered into a facilities agreement ('Agreement') with HSBC and Westpac which refinanced the facilities previously outstanding with ANZ. 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 three years maturing on 11 February 2022.

Assets pledged as security

The bank facility made available by HSBC and Westpac is secured by cross guarantee and all assets from IPH Limited and a number of its wholly owned subsidiaries. The value of current and non-current assets pledged as security are as noted on the consolidated statement of financial position.

Note 19. Borrowings Continued →

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Total facilities		
Loan facilities	190,000	94,000
Working capital facility	20,000	-
	210,000	94,000
Used at the reporting date		
Loan facilities	65,470	40,102
	65,470	40,102
Unused at the reporting date		
Loan facilities	124,530	47,913
Working capital facility[1]	13,500	-
	138,030	47,913

1. At 30 June 2019 $6.5m of bank guarantees had been drawn on the working capital facility.

Note 20. Non-current liabilities – provisions

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Employee benefits	251	200
Lease liability[1]	4,472	4,471
	4,723	4,671

1. The movement in the lease liability reflects the straight-lining of rent over the life of the leases.

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Note 21. Equity – issued capital

	Consolidated		Consolidated	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	Shares	Shares	$'000	$'000
Ordinary Class shares – fully paid	197,341,566	197,341,566	262,763	262,763
	197,341,566	197,341,566	262,763	262,763

Movements in ordinary share capital

	Date	Shares	$'000
Balance at 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	262,763
Balance at 30 June 2019		197,341,566	262,763

1. Refer Note 32 for share issuances arising from business acquisitions.

Note 21. Equity – issued capital Continued →

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 30 June 2019, the number of shares held by the trust was 175,917 (2018: 88,350). The Trust acquired 189,995 shares on market during the year.

Share buy-back

On 8 May 2018 the Group announced a buy-back of up to $40m of ordinary shares and extended the buy-back for a further year from 31 May 2019. There were no shares bought back during the year to 30 June 2019. During the prior year 621,816 shares were bought back at an average price of $4.38 per share.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Dividend reinvestment plan

The group operates a dividend reinvestment plan. The issue price is the average of the daily volume weighted average market price of all shares sold by normal trade during the 10 trading days commencing on the second trading day following the dividend record date.

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Note 22. Equity – reserves

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Foreign currency reserve	3,858	1
Share-based payments reserve	4,453	3,352
Minority interest acquisition reserve	(14,814)	(14,814)
Fair value gain on investment in equity instruments (Note 12)	4,478	-
	(2,025)	(11,461)

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services. Specifically the reserve relates to performance rights issued by the Company to its employees under its long-term incentive plan (LTIP).

Minority interest acquisition reserve

This reserve represents the difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid or received, where there is no change in control.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are presented in the Statement of Changes in Equity.

Note 23. Equity – retained profits

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Retained profits at the beginning of the financial year	16,286	18,436
Profit after income tax expense for the year attributable to owners of IPH Limited	53,111	40,673
Dividends paid (Note 24)	(45,385)	(42,823)
Retained profits at the end of the financial year	24,012	16,286

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Note 24. Equity – dividends

		Consolidated	
		30 June 2019	30 June 2018
	Cents per share	$'000	$'000
Interim dividend			
December 2017 – paid 14 March 2018	11.5	-	22,689
December 2018 – paid 13 March 2019	12.0	23,680	-
Final dividend			
June 2017 – paid 13 September 2017	10.0	-	20,134
June 2018 – paid 12 September 2018	11.0	21,705	-

On 20 August 2019, the Company declared an ordinary dividend of 13 cents per share (franked at 60%) to be paid on 18 September 2019. The dividend value is $27,680,000. No provision for this dividend has been recognised in the Statement of Financial Position as at 30 June 2019, as it was declared after the end of the financial year.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan did not operate during the year.

Franking credits

	Consolidated	
	30 June 2019	June 2018
	$'000	$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	1,750	1,500

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

» franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date.

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Note 25. Financial instruments

Financial risk management objectives

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

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures which are not significant. Derivatives are not used as trading or other speculative instruments.

The Group's net asset exposure at the reporting date was as follows:

	A$'000	US$'000	€'000	S$000	NZD$000	Other[1]
30 June 2019						
Net asset exposure (Local Currency)	243,718	13,208	1,750	9,075	6,402	3,754
30 June 2018						
Net asset exposure (Local Currency)	248,892	2,039	1,966	7,773	6,006	1,689

1. Australian dollar equivalent

Sensitivity analysis

The sensitivity of the Group's Australian dollar denominated Profit or Loss account and Statement of Financial Position to foreign currency movements is based on a 10% fluctuation (2018: 10% fluctuation) on the average rates during the financial year. This analysis assumes that all other variables including interest rates remain constant. A 10% movement in the average foreign exchange rates would have impacted the Group's profit after tax and equity as follows:

	10% Weakening		10% Strengthening	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
USD	1,881	204	(1,710)	(185)
Euro	283	197	(258)	(178)
SGD	955	777	(868)	(707)
NZD	608	601	(553)	(546)
Other currencies	375	169	(341)	(154)
Net exposure to foreign currency risk	4,103	1,948	(3,730)	(1,770)

Note 25. Financial instruments Continued →

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

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

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

	30 June 2019		30 June 2018	
Consolidated	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$'000	%	$'000
Multi-option facility	3.70	65,470	3.85	40,102
Net exposure to cash flow interest rate risk		65,470		40,102

Credit risk

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

Liquidity risk

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

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

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Financing arrangements (unused)

Unused borrowing facilities at the reporting date:

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Multicurrency loan facility	124,530	47,913
Working capital facility	13,500	-
	138,030	47,913

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time.

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Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

The cash flows in the maturity analysis below are not expected to occur significantly earlier than contractually disclosed below.

Consolidated - 30 June 2019	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	$'000	$'000	$'000	$'000	$'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	9,203	-	-	-	9,203
Sundry creditors and accruals	-	9,671	-	-	-	9,671
Interest-bearing - variable						
Multi-option facility	3.70%	-	-	65,470	-	65,470
Total non-derivatives		18,874	-	65,470	-	84,344

Consolidated - 30 June 2018	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	$'000	$'000	$'000	$'000	$'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	11,104	-	-	-	11,104
Other payables and accruals	-	3,927	-	-	-	3,927
Interest-bearing - variable						
Multicurrency loan facility	3.85%	-	-	40,102	-	40,102
Total non-derivatives		15,031	-	40,102	-	55,133

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The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

» **Level 1** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

» **Level 2** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

» **Level 3** Unobservable inputs for the asset or liability.

The Board considers that the carrying amount of financial assets and financial liabilities recognised in the financial statements approximate their fair value.

The table below shows the assigned level for each asset and liability held at fair value by the Group:

	Level 1	Level 2	Level 3	Total
Consolidated - 30 June 2019	%	$'000	$'000	$'000
Current assets				
Investment in shares	39,194	-	-	39,194
Total current assets	39,194	-		39,194

	Level 1	Level 2	Level 3	Total
Consolidated - 30 June 2018	$'000	$'000	$'000	$'000
Current assets				
Investment in shares	-	-	-	-
Total current assets	-	-	-	-

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Note 26. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out here:

	Consolidated	
	30 June 2019	30 June 2018
	$	$
Short-term employee benefits	2,295,177	2,069,153
Post-employment benefits	95,911	104,597
Long-term benefits	66,302	105,986
Share-based payments	695,821	332,076
	3,153,211	2,611,812

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Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company, and unrelated firms:

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Audit services - Deloitte Touche Tohmatsu (Australia)		
Audit or review of the financial statements	341,000	290,500
Other assurance services	4,080	4,000
Other services - Deloitte Touche Tohmatsu (Australia)		
Tax compliance services	-	-
	345,080	294,500
Deloitte Touche Tohmatsu (Singapore)		
Audit or review of the financial statements	58,302	50,709
Tax compliance services	-	-
	58,302	50,709
Audit services - unrelated firms		
Audit or review of the financial statements	44,968	41,524
Other services - unrelated firms		
Corporate and taxation services	187,435	107,904
	232,403	149,428

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Note 28. Contingent liabilities

The Group has given bank guarantees in respect of operating lease commitments for office premises as at 30 June 2019 of $6,500,000 (2018: $5,985,000).

Note 29. Commitments

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	6,947	7,874
One to five years	23,524	21,567
Over five years	11,012	16,355
	41,482	45,796

Operating lease commitments include contracted amounts for offices and plant and equipment under non-cancellable operating leases expiring within one to 10 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 30. Related party transactions

Parent entity

IPH Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 35.

Key management personnel

Disclosures relating to key management personnel are set out in Note 26 and the remuneration report in the Directors' report.

Transactions with related parties

There were no additional transactions with related parties.

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Note 31. Parent entity information

Set out below is the supplementary information about the parent entity.

	Parent	
	30 June 2019	30 June 2018
	$'000	$'000
Statement of profit or loss and other comprehensive income		
Profit after income tax	37,000	61,442
Total comprehensive income	41,478	61,442
Statement of financial position		
Total current assets	93,860	31,071
Total assets	354,196	326,648
Total current liabilities	4,027	2,208
Total liabilities	71,416	42,310
Equity		
Issued capital	262,763	262,763
Share-based payments reserve	5,705	3,353
Other reserves	4,478	-
Retained earnings	9,832	18,222
	282,778	284,338

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Other than the security provided for the debt facility agreement as disclosed in Note 19, the parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 apart from being party to the deed of cross guarantee as detailed in Note 39.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 2.

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Note 32. Business combinations

Acquisitions undertaken in the year ended 30 June 2018

AJ Park IP Limited

On 31 October 2017, the Group acquired 100% of the ordinary shares of AJ Park IP Limited under the terms of a Share Purchase Agreement (SPA).

The final accounting for the acquistion was finalised during the previous financial year. There were no acquisition adjustments recorded during the year ended 30 June 2019.

Note 33. 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. A profit of $2,072,000 arising from the sale has been recognised on the sale of these businesses 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:	
Transaction costs	(1,196)
Net profit on sale after transaction costs	2,072

On 1 May 2019, Practice Insight entered into an agreement to sell its DMS product to Pace IP UG of Germany for €900,000 ($1.4 million), with the initial settlement payment of €100k received and the balance payable in installments over two years. A profit on sale of $786,000 has been recognised from the sale.

Note 34. Events after the reporting period

On 12 April 2019, IPH announced that it had entered into a scheme of arrangement with Xenith IP Limited to acquire the remaining 80.1% of shares it did not own at $2.15 per share. The scheme of arrangement was approved by shareholder vote on 25 July 2019 and approved by the Federal Court of Australia on 1 August 2019. The acquisition was completed on 15 August.

The shares were acquired for $153.6m, funded by the draw down of $46.1m from existing debt facilities and the issuance of 15.6m new IPH shares.

The fair value of the assets and liabilities acquired is yet to be assessed due to the proximity of the date of acquisition to the date of this financial report.

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Note 35. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 2:

Name	Principal place of business / Country of incorporation	Principal activities	Ownership interest	Ownership interest
			30 June 2019	30 June 2018
Spruson & Ferguson Pty (NSW) Limited [2,3]	Australia	Non Trading entity	100%	100%
Spruson & Ferguson Pty Limited [2,3]	Australia	Patent attorneys	100%	100%
Spruson & Ferguson Lawyers Pty Limited [2,3]	Australia	Lawyers	100%	100%
Spruson & Ferguson (Asia) Pte Limited	Singapore	Patent attorneys	100%	100%
Spruson & Ferguson SDN BHD	Malaysia	Patent attorneys	100%	100%
IPH Holdings (Asia) Pte Ltd	Singapore	Non Trading entity	100%	100%
PT Spruson Ferguson Indonesia	Indonesia	Patent attorneys	100%	100%
IPH (Thailand) Ltd[4]	Thailand	Non Trading entity	49%	49%
Spruson & Ferguson Ltd	Thailand	Patent attorneys	100%	100%
IPH Services Limited [2,3]	Australia	Software development	100%	100%
Practice Insight Pty Limited [2,3]	Australia	Data analysis and software	100%	100%
Practice Insight GmbH	Germany	Data analysis and software	100%	100%
Fisher Adams Kelly Pty Limited [2,3]	Australia	Patent attorneys	100%	100%
Pizzeys Patent & Trademark Attorneys Pty Ltd [2,3]	Australia	Patent attorneys	100%	100%
Cullens Pty Limited [2,3]	Australia	Patent attorneys	100%	100%
Cullen Services No 1 Pty Limited [2,3]	Australia	Patent attorneys	100%	100%

Notes to the Financial Statements

Note 35. Interests in subsidiaries Continued →

Name	Principal place of business / Country of incorporation	Principal activities	Ownership interest	Ownership interest
			30 June 2019	30 June 2018
Pizzeys Pte Ltd	Singapore	Patent attorneys	100%	100%
Spruson & Ferguson (Shanghai) Ltd	China	Patent attorneys	100%	100%
Spruson & Ferguson Limited	Hong Kong	Non Trading entity	100%	100%
Spruson & Ferguson (Beijing) Ltd	China	Patent attorneys	100%	100%
Spruson & Ferguson (Hong Kong) Ltd	Hong Kong	Patent attorneys	100%	100%
Spruson & Ferguson Intellectual Property Agency (Beijing) Company Ltd	China	Patent attorneys	100%	100%
Beijing Pat SF Intellectual Property Agency Co Ltd[5]	China	Patent attorneys	0%	0%
AJ Park IP Ltd	New Zealand	Patent attorneys	100%	0%
AJ Park Law Ltd[5]	New Zealand	Lawyers	0%	0%
AJ Park IP Pty Ltd	Australia	Patent attorneys	100%	0%
Spruson & Ferguson Projects Pty Ltd	Australia	Non Trading Entity	100%	100%
Spruson & Ferguson (Qld) Pty Ltd	Australia	Non Trading Entity	100%	100%

1. IPH Limited is the head entity within the tax consolidated group.
2. These companies are members of the tax consolidated group.
3. These wholly owned subsidiaries entered into a deed of cross guarantee with IPH limited pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 and are relieved from the requirements to prepare and lodge an audited financial report (Note 39).
4. The Group holds 90.6% of the voting rights and thus has control of this entity.
5. These entities have Alliance Agreements with Group entities which results in consolidation in the IPH Group for Accounting purposes.

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Note 36. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Profit after income tax expense for the year	53,111	40,673
Adjustments for:		
Depreciation and amortisation	12,655	13,092
Impairment of Intangible	-	2,148
Unrealised foreign exchange	536	(826)
Share-based payments	2,200	676
Change in operating assets and liabilities		
(Increase) in trade and other receivables	(7,787)	(8,416)
(Increase) in deferred tax assets	(3,718)	(3,753)
(Increase) in other assets	(2,179)	(894)
Increase in trade and other payables	4,115	1,183
Increase/(decrease) in provision for income tax	3,906	(587)
Increase in other liabilties	(202)	(3,190)
(Decrease)/increase in deferred revenue	(926)	77
(Decrease)/Increase in provisions	(161)	6,274
Net cash from operating activities	61,550	46,457

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Note 37. Earnings per share

	Consolidated	
	30 June 2019	30 June 2018
	$'000	$'000
Profit after income tax	53,111	40,673
Profit after income tax attributable to the owners of IPH Limited	53,111	40,673
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	197,341,566	195,636,068
Options over ordinary shares	1,193,492	966,124
Weighted average number of ordinary shares used in calculating diluted earnings per share	198,565,456	196,602,192
	Cents	Cents
Basic earnings per share	26.91	20.79
Diluted earnings per share	26.75	20.69

Note 38. Share-based payments

Initial Incentive Plan – October 2014

On 24 October 2014, the Long Term Incentive Plan (LTIP) was adopted by the Board of Directors and was established to attract, motivate and retain key staff. Participation in the LTIP is at the Board's discretion and no individual has a contracted right to participate in the LTIP or to receive any guaranteed benefits.

Retention rights

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

A portion of the aggregate retention rights granted will vest at each 12 month anniversary of the grant date; vesting is conditional on continued employment.

Set out below are summaries of the rights granted under the plan:

Grant date	Vesting date	Exercise price	Balance at the start of year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
16 Sep 2015	1 Jul 2018[1]	$0.00	85,212	-	(85,212)	-	-
19 Aug 2016	1 Aug 2019	$0.00	88,476	-	-	(15,065)	73,411
Total Retention Rights			173,688	-	(85,212)	(15,065)	73,411

1. Share price at date of exercise $4.40

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Performance rights

Each performance right issued under the LTIP converts into one ordinary share of IPH Limited on exercise. No amounts are paid or payable by the recipient of the performance right, and the performance rights carry neither rights to dividends nor voting rights. The performance rights are treated as in substance options and accounted for as share-based payments.

Performance rights will vest (and become exercisable) to the extent that the applicable performance, service or other vesting conditions specified at the time of the grant are satisfied (collectively the 'Performance Criteria'). Performance Criteria may include conditions relating to continuous employment or service, the individual performance of the participant and/or the Group's performance. Typically, the Performance Criteria must be satisfied within a predetermined performance period. Both the Performance Criteria and the performance period are set by the Board at its absolute discretion.

The Board has set the following Performance Criteria for the performance period for the performance rights granted to employees:

» 50% of the performance rights granted will vest subject to a relative total shareholder return (TSR) performance hurdle over the relevant vesting period; and

» The remaining 50% of the Performance Rights granted will vest subject to an earnings per share (EPS) performance hurdle over the relevant vesting period.

TSR rights

TSR rights will be assessed against the relative performance over the relevant performance period of a list of companies included in the ASX300 Accumulation Index. The relative TSR performance targets and corresponding percentages of the maximum number of TSR rights that would vest are as follows:

» below the 50th percentile: 0%

» at the 50th percentile: 25%

» better than the 50th percentile but below the 75th percentile: Pro-rata straight-line between 25% and 100%

» equal to or above the 75th percentile: 100%

For the FY16 award, the performance was below the 50th percentile and no rights vested.

EPS rights

The absolute EPS performance target (being the compound annual EPS growth over the relevant performance period, adjusted to take into account one-off items, if necessary) and corresponding percentages of the maximum number of EPS rights that would vest are as follows:

» Compound EPS growth of less than 7% per annum: 0%

» Compound EPS growth of 7% per annum: 20%

» Compound EPS growth of more than 7% per annum but less than 15% per annum: Pro-rata straight line between 20% and 100%

» Compound EPS growth equal to or above 15% per annum: 100%

	FY16 Award (Sep/Dec 15)
Minimum EPS Target	Compound annual growth rate (CAGR) in EPS for the period from 1 July 2015 to 30 June 2018 of 7%
EPS Target	Compound annual growth rate (CAGR) in EPS for the period from 1 July 2015 to 30 June 2018 of 15%

For the FY16 award, the EPS performance did not meet the minimum EPS Target and no rights vested.

Revised IPH Limited Incentive Plan – November 2016

Professional staff and senior management

A new incentive plan, the IPH Limited Employee Incentive Plan (the 'Incentive Plan'), was approved at the AGM on 16 November 2016. This plan replaces the existing Long Term Incentive Plan and Retention Rights Plan. Each performance right issued under the Incentive Plan converts into one ordinary share of IPH Limited on exercise. No amounts are paid or payable by the recipient of the performance right, and the performance rights carry neither rights to dividends nor voting rights. The performance rights are treated as in substance options and accounted for as share-based payments.

The conditions attached to rights issued under the Incentive Plan can be in the form of a retention requirement, TSR, EPS or other Key Performance Indicator (KPI) metric for the Group, business unit and individual.

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Notes to the Financial Statements

Note 38. Share-based payments Continued →

TSR and EPS target and measurement criteria remain the same as per the EPS and TSR rights under the previous plan.

Movement in performance rights issued under the Incentive Plan to professional staff and senior managers during the financial year were:

Grant date	Final vesting date	Exercise price	Balance at the start of the year	Granted	Exercised[2]	Expired / forfeited / other	Balance at the end of the year
Retention - 23 May 17	23 May 2019[1,3]	$0.00	2,981	-	-	(2,981)	-
Retention - 24 May 17	1 Jan 2020[1,3]	$0.00	16,000	-	(6,000)	(10,000)	-
Retention - 24 May 17	1 May 2020[1,3]	$0.00	16,914	-	-	(16,914)	-
Retention - 7 Jun 17	1 June 2020[1,3]	$0.00	17,094	-	(6,410)	-	10,684
TSR - 23 May 17	1 Sept 2019	$0.00	2,235	-	-	(2,235)	-
EPS - 23 May 17	1 Sept 2019	$0.00	2,235	-	-	(2,235)	-
EPS - 24 May 17	1 Sept 2020	$0.00	7,166	-	-	(7,166)	-
Retention - 22 Feb 18	5 Feb 2021[1]	$0.00	4,606	-	(921)	-	3,685
Retention - 7 May18	9 Apr 2022[2]	$0.00	57,972	-	(14,493)	-	43,479
KPI - 7 Dec 17 & 14 Mar 18	31 Aug 2018	$0.00	93,519	-	(93,519)	-	-
KPI - FY19[4]	31 Aug 2019	$0.00	-	771,942	-	(54,546)	717,396
Total Performance Rights			220,722	771,942	(121,343)	(96,077)	775,244

1. Annual vesting at the following rates: 20% first vesting date, 30% second and 50% final vesting date.
2. Annual vesting of 25% of the award.
3. Share price at date of exercise of the each tranche: $5.42 (1 Jan 19); $6.83 (1 Jun 19).
4. Rights were issued in three tranches with grant dates of 6 Sept 18, 26 Nov 18 and 28 Feb 18.

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IPH Executives – Long Term Incentive

An executive long term incentive was introduced during FY18. Performance rights vest subject to achievement of a minimum compound annual growth rate in EPS over the performance period. The Board will determine a target for EPS for the performance period. For vesting to occur, EPS for the performance period must be at least equal to the Mimimum EPS Target.

EPS Targets for the plan are:

» Minimum EPS Target: 7% CAGR in EPS over the three year performance period ending on 30 June

» EPS Target: 15% CAGR in EPS over the three year performance period ending on 30 June.

Vesting of rights is as follows:

» Less than 7% CAGR in EPS over the performance period - Nil vesting

» Equal to 7% CAGR in EPS over the performance period - 20% vesting

» Greater than 7% CAGR in EPS up to and including 10% CAGR - straight line vesting between 20% and 65%

» Greater than 10% CAGR in EPS up to and including 15% CAGR - straight line vesting between 65% and 100%

» At or above 15% CAGR in EPS over the performance period - 100% vesting.

Grant date	Final vesting date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired / forfeited / other	Balance at the end of the year
LTI - 20 Nov 17	1 Sep 2020	$0.00	288,811	-	-	-	288,811
LTI - 26 Nov 18	1 Sep 2021	$0.00	-	396,891	-	(30,398)	366,493
Total LTI Performance Rights			288,811	396,891	-	(30,398)	655,304

Note 38. Share-based payments Continued →

Fair value of retention and performance rights granted

- The weighted average share price during the financial year was $6.01 (2018: $4.49).
- The weighted average remaining contractual life of rights outstanding at the end of the financial year was 0.9 years (2018: 1.4 years)
- The weighted fair value of the rights granted during the year is $5.15 (2018: $4.33)

Valuation model inputs used to determine the fair value of rights at the grant date, are as follows:

Initial Incentive Plan – October 2014

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
Performance rights							
TSR - 16 Sep 2015	8 Sep 2018	$6.12	$0.00	35.00%	3.50%	2.00%	$4.45
EPS - 16 Sep 2015	8 Sep 2018	$6.12	$0.00	35.00%	3.50%	2.00%	$5.51
TSR - 2 Dec 2015	8 Sep 2018	$8.20	$0.00	35.00%	3.50%	2.00%	$6.66
EPS - 2 Dec 2015	8 Sep 2018	$8.20	$0.00	35.00%	3.50%	2.00%	$7.40
Retention rights							
17 Sep 2015	1 Jul 2018	$6.12	$0.00	35.00%	3.50%	1.99%	$5.55
19 Aug 2016[1]	30 Jun 2019	$5.80	$0.00		4.00%		$5.17

1. Expected volatility and risk free rate not included in this valuation

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Revised IPH Limited Incentive Plan – November 2016

Professional staff and senior management

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
Retention - 23 May 17[1,2]	23 May 2019	$4.81	$0.00	35.00%	5.40%	1.58%	$4.49
Retention - 24 May 17[1,2]	1 Jan 2020	$4.86	$0.00	35.00%	5.40%	1.63%	$4.39
Retention - 24 May 17[1,2]	1 May 2020	$4.86	$0.00	35.00%	5.40%	1.66%	$4.31
Retention - 7 Jun 17[1,2]	1 Jun 2020	$4.76	$0.00	35.00%	5.40%	1.65%	$4.31
TSR - 23 May 17	1 Sep 2019	$4.81	$0.00	35.00%	5.40%	1.65%	$1.21
EPS - 23 May 17	1 Sep 2019	$4.81	$0.00	35.00%	5.40%	1.65%	$4.25
EPS - 24 May 17	1 Sep 2020	$4.86	$0.00	35.00%	5.40%	1.77%	$4.07
KPI - 1 Dec 17	31 Aug 2018	$5.48	$0.00	32.00%	5.00%	1.66%	$5.28
KPI - 14 Mar 18	31 Aug 2018	$3.55	$0.00	37.00%	6.30%	1.76%	$3.45
Retention - 22 Feb 18[1,2,4]	5 Feb 2021	$3.74	$0.00		6.30%	2.00%	$3.25
Retention - 7 May 18[2,3,4]	9 Apr 2022	$3.86	$0.00		6.30%	2.08%	$3.32
KPI FY19 - 6 Sep[4]	31 Aug 2019	$5.65	$0.00		5.20%	1.94%	$5.37
KPI FY19 - 26 Nov[4]	31 Aug 2019	$5.40	$0.00		5.20%	1.91%	$5.19
KPI FY19 - 28 Feb[4]	31 Aug 2019	$6.06	$0.00		4.80%	1.73%	$5.91

1. Annual vesting at the following rates: 20% first vesting date, 30% second and 50% final vesting date
2. Risk free interest rate and fair value at grant date are at the weighted average of the rights issued
3. Annual vesting of 25% of the award
4. Expected volatility not included in this valuation

Note 38. Share-based payments Continued →

IPH Executives – Long Term Incentive

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
LTI - 20 Nov 2017	1 Sept 2020	$5.64	$0.00	32.00%	5.00%	1.89%	$4.91
LTI - 26 Nov 2018[1]	1 Sept 2021	$5.40	$0.00		5.20%	2.07%	$4.68

1. Expected volatility not included in this valuation.

Amounts recognised in the Financial Statements

During the financial year ended 30 June 2019, an expense of $2,200,000 was recognised in the Statement of Profit or Loss in relation to equity settled share-based payment awards. (June 2018: $676,000)

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Note 39. Deed of cross guarantee

The members of the Group party to the deed of cross guarantee are detailed in Note 35. The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position of the entities party to the deed of cross guarantee are:

	30 June 2019	30 June 2018
	$'000	$'000
Revenue	114,690	113,659
Other income	43,781	36,648
Expenses		
Employee benefits expense	(36,319)	(35,816)
Depreciation and amortisation expense	(8,614)	(11,386)
Rental expenses	(3,396)	(4,536)
Business acquisition costs	(3,583)	(1,078)
Agent fee expenses	(34,300)	(33,923)
Insurance expenses	(1,129)	(610)
Travel expenses	(1,379)	(1,205)
Other expenses	(8,982)	(8,869)
Finance costs	(2,669)	(1,535)
Profit before income tax expense	58,100	51,349
Income tax expense	(10,645)	(7,667)
Profit after income tax expense for the year	47,455	43,682
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Other comprehensive income for the year, net of tax	4,478	-
Total comprehensive income for the year	51,933	43,682
Profit for the year is attributable to:		
Owners of IPH Limited	47,455	43,682
Profit after income tax expense for the year	47,455	43,682
Total comprehensive income for the year is attributable to:		
Owners of IPH Limited	51,933	43,682
Profit after income tax expense for the year	51,933	43,682

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Notes to the Financial Statements

Note 39. Deed of cross guarantee Continued →

	30 June 2019	30 June 2018
	$'000	$'000
Current assets		
Cash and cash equivalents	16,112	11,088
Trade and other receivables	49,409	37,422
Other assets	45,085	3,714
Total current assets	110,606	52,224
Non-current assets		
Property, plant and equipment	3,271	3,568
Intangibles	175,044	184,104
Investments in subsidiaries	91,488	120,754
Deferred tax	7,660	5,563
Total non-current assets	277,463	313,989
Total assets	388,069	366,213
Current liabilities		
Trade and other payables	10,256	8,202
Borrowings	-	5,000
Income tax	4,576	1,492
Provisions	6,673	6,726
Other liabilities	-	-
Deferred revenue	121	872
Total current liabilities	21,626	22,293
Non-current liabilities		
Borrowings	65,470	35,102
Provisions	4,724	4,670
Deferred tax liability	20,929	20,958
Total non-current liabilities	91,123	60,730
Total liabilities	112,748	83,023
Net assets	275,321	283,190
Equity		
Issued capital	262,748	262,748
Reserves	958	5,026
Retained profits	11,615	15,417
Total equity	275,321	283,191

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Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

At the date of this declaration, the company is within the class of companies affected by ASIC Corporations (Wholly-owned Companies) Instrument 2016/785. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Corporations Instrument applies, as detailed in Note 39 to the financial statements, will as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Dr. Andrew Blattman
Managing Director
20 August 2019, Sydney

Independent Auditor's Report



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Independent Auditor's Report to the Members of IPH Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of IPH Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverability of goodwill As at 30 June 2019, goodwill totalled $184.6 million, of which $68.2 million relates to the Pizzeys cash generating unit ("CGU"), as disclosed in note 14. As set out in note 14, a decline in the EBITDA CAGR by 3.0% or an increase in the post tax discount rate of 0.88% would result in the carrying value of the Pizzeys CGU being equal to the recoverable amount. The determination of the recoverable amount of goodwill is complex and requires management to exercise significant judgement in particular in determining the key assumptions used in cash flow projections, such as: • short term budgeted revenue and EBITDA; • long term growth rates; and • discount rates.	Our procedures performed in conjunction with our valuation specialists, included, but were not limited to: ○ assessing the appropriateness of management's discounted cash flow ("DCF") model; ○ agreeing the cash flow projections used in the DCF model to Board approved forecasts; ○ assessing the historical accuracy of management's forecasting by comparing actual results to budgeted results for preceding years; ○ challenging the key assumptions and estimates used by management in their DCF models, including analysis of long term growth rates by reference to industry data; ○ challenging and evaluating the appropriateness of management's sensitivity analysis; and ○ evaluating the appropriateness of disclosures made in the financial report against the relevant accounting standards.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the annual report (but does not include the financial report and our auditor's report thereon): the IPH Group, the IPH Story, the Chairman's Letter, Operational Highlights, Financial Highlights, CEO's Report, Board of Directors, Corporate Directory and Shareholder Information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the IPH Group, the IPH Story, the Chairman's Letter, Operational Highlights, Financial Highlights, CEO's Report, Board of Directors, Corporate Directory and Shareholder Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

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

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

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Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

Independent Auditor's Report

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Report on the Remuneration Report

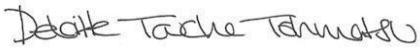
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 36 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of IPH Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



DELOITTE TOUCHE TOHMATSU



H Fortescue
Partner
Chartered Accountants
Sydney, 20 August 2019



Shareholder information

Shareholder Information

The shareholder information set out below was applicable as at 31 August 2019.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

Range	Securities	Number of shareholders	%
100,001 and Over	187,916,357	90	88.04
10,001 to 100,000	10,525,453	472	4.93
5,001 to 10,000	5,450,291	752	2.55
1,001 to 5,000	8,059,125	3,110	3.78
1 to 1,000	1,482,343	3,087	0.69
	213,433,569	7,511	100.00
Unmarketable Parcels	0	0	0.00

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Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest registered holders of quoted equity securities are listed below:

Rank	Name	A/C designation	30 Aug 2019	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		68,472,034	32.08
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED		47,375,897	22.20
3	CITICORP NOMINEES PTY LIMITED		16,900,312	7.92
4	NATIONAL NOMINEES LIMITED		7,173,946	3.36
5	BNP PARIBAS NOMS PTY LTD	<DRP>	5,196,810	2.43
6	BNP PARIBAS NOMINEES PTY LTD	<AGENCY LENDING DRP A/C>	4,074,105	1.91
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	<NT-COMNWLTH SUPER CORP A/C>	3,449,931	1.62
8	SETDOR PTY LIMITED		2,300,000	1.08
9	UBS NOMINEES PTY LTD		2,227,922	1.04
10	TALABAH PTY LIMITED		2,067,175	0.97
11	WARBONT NOMINEES PTY LTD	<UNPAID ENTREPOT A/C>	1,700,041	0.80
12	CS FOURTH NOMINEES PTY LIMITED	<HSBC CUST NOM AU LTD 11 A/C>	1,629,874	0.76
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA		1,269,338	0.59
14	AMP LIFE LIMITED		1,169,316	0.55
15	WOMBEE PTY LTD	<IRANI FAMILY A/C>	1,000,654	0.47
16	CS THIRD NOMINEES PTY LIMITED	<HSBC CUST NOM AU LTD 13 A/C>	904,889	0.42
17	ECAPITAL NOMINEES PTY LIMITED	<ACCUMULATION A/C>	803,042	0.38
18	BRISPOT NOMINEES PTY LTD	<HOUSE HEAD NOMINEE A/C>	769,186	0.36
19	BAINPRO NOMINEES PTY LIMITED		704,469	0.33
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2		599,153	0.28
Total			169,788,094	79.55
Balance of register			43,645,475	20.45
Grand total			213,433,569	100.00

The above table includes shareholders that may hold shares for the benefit of third parties.

Shareholder Information

Geography distribution

31 Aug 2019

	Securities	%	No. of holders	%
AUSTRALIA	207,887,351	97.40	7,402	98.55
BAHRAIN	760	0.00	1	0.01
DENMARK	10,000	0.00	1	0.01
GERMANY	21,304	0.01	1	0.01
HONG KONG	595,141	0.28	2	0.03
INDONESIA	3,332	0.00	2	0.03
JAPAN	1,174	0.00	1	0.01
MALAYSIA	3,900	0.00	3	0.04
NEW ZEALAND	4,767,511	2.23	79	1.05
QATAR	1,000	0.00	1	0.01
SINGAPORE	82,624	0.04	6	0.08
THAILAND	5,825	0.00	1	0.01
UNITED KINGDOM	41,087	0.02	4	0.05
UNITED STATES OF AMERICA	10,660	0.00	6	0.08
VANUATU	1,900	0.00	1	0.01
Total	213,433,569	100.00[1]	7,511	100.00[1]

1. May not add up to 100 due to rounding.

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Unquoted equity securities

	Number on Issue	Number of holders
Performance Rights over ordinary shares granted under the Long Term Incentive Plan	713,152	10

Substantial holders

The names of substantial shareholders of the Company's ordinary shares as at 31 August 2019 (holding no less than 5%) who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Holder	Date of last notice received	Number of securities	Percentage of issued capital[1]
Paradice Investment Management Pty Ltd	19 August 2019	13,185,819	6.18%
The Vanguard Group	27 May 2019	11,076,840	5.19%
Mitsubishi UFJ Financial Group Inc	30 August 2019	10,734,904	5.03%

1. Percentage of issued securities at 31 August 2019.

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.

Restricted securities

There are no restricted securities.

Securities subject to voluntary escrow

Class	Expiry Date	Number of Shares
Ordinary	31 October 2019	4,621,547

Shareholder Information

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Annual General Meeting (AGM)

The 2019 annual general meeting (AGM) of IPH Limited will be held on 21 November 2019 at 10:30am at the offices of EY, 200 George Street, Sydney NSW 2000.

IPH Limited is listed on the ASX and its ordinary shares are quoted under the ASX code 'IPH'.

Annual report

Amendments to the Corporations Act 2001 have changed the obligations of companies regarding the provision of annual reports to shareholders. The default option for receiving annual reports has changed from a printed copy to an electronic copy via IPH's website at www.iphltd.com.au.

Online voting

Shareholders can lodge voting instructions electronically either as a direct vote or by appointing a proxy for the 2019 AGM. The information required to log on and use online voting is shown on the voting form distributed to shareholders with the Notice of Annual General meeting.

Voting rights

At a general meeting, a shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll has one vote for each fully paid share held.

Voting at any meeting of shareholders is by a show of hands unless a poll is demanded in the manner described in the Company's Constitution. If there are two or more joint holders of a share and more than one of them is present at a general meeting, in person or by proxy, attorney or representative, and tenders a vote in respect of the share, the Company will count only the vote cast by, or on behalf of, the shareholder by the joint holder whose name appears first in the Company's register of shareholder.

The quorum required for a meeting of members is the lesser (by number) of: five shareholders present in person; or shareholders present in person representing at least 10 per cent of the voting shares.

Shareholder questions

Shareholders can submit a written question to the Company or the Company's auditor in regard to the AGM or any of the proposed resolutions to be considered at the AGM, using the form supplied with the Notice of AGM distributed to shareholders.

Information about IPH

Information about IPH Limited including company announcements, presentations and reports can be accessed at www.iphltd.com.au.

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IPH Limited

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Supertree Grove and OCBC Skyway
Singapore, 2019

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