IPH Limited

ACN 169 015 838

Appendix 4D – Half Yearly Financial Report
Half Year ended 31 December 2016 ("HY17")
Results for announcement to the market

Results		Change		HY17 $'000	HY16 $'000
Revenue from ordinary activities	Up	22%	to	93,121	76,190
Profit from ordinary activities after tax attributable to members	Up	20%	to	22,134	18,476
Profit for the period attributable to members	Up	20%	to	22,134	18,476

Dividends	Amount per Share	Franked amount per Share
Half year ended 31 December 2016 - Interim dividend	11.5c	11.5c
Half year ended 31 December 2015 - Interim dividend	11.0c	8.8c
Record date for determining entitlements to the dividend	22 February 2017	

The dividend is eligible to participate in the IPH Dividend Reinvestment Plan (DRP). Subject to the rules of the DRP, the shares will be allotted at the average of the daily volume weighted average market price of IPH shares sold on the ASX during the period of 10 trading days commencing on the second trading day after the record date. Applications to participate in the plan in respect of the interim dividend must be received by the share registry no later than 5:00pm on 23 February 2017.

Other	HY17	HY16
Net tangible asset backing per share	$0.21	$0.36

Explanation of Result
Please refer to the commentary in the attached half yearly Directors' Report for an explanation of the result. This report should be read in conjunction with the Half Yearly Financial Report.

IPH LIMITED

IPH Limited and its Controlled Entities

HALF YEAR FINANCIAL REPORT

For the Half Year Ended 31 December 2016

The Directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Group') consisting of IPH Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the half year ended 31 December 2016.

IPH Limited ("IPH", ASX:IPH) is an ASX 200 company and the holding company of intellectual property services firms Spruson & Ferguson, Fisher Adams Kelly Callinans, Pizzeys, Cullens and data analytics software development company, Practice Insight. The group employs a multidisciplinary team of approximately 470 people in Australia, Singapore, Malaysia, Thailand, Indonesia, China and Germany.

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

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

1. Directors

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

Name	Office
Mr Richard Grellman, AM	Non-executive Chairman
Mr David Griffith	Managing Director and Chief Executive Officer
Ms Robin Low	Non-executive Director
Dr Sally Pitkin	Non-executive Director
Mr John Atkin	Non-executive Director

2. Operational and Financial Review

2.1 Operations and Financial performance

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

The HY17 underlying EBITDA of the Group has been determined by adding back to statutory earnings amounts eliminating the effect of business acquisition adjustments, business acquisition costs, new business establishment costs and non-cash share based payments expenses.

Revenue has grown by $16.9M to $93.1M, up by 22%, driven by organic growth and the impact of acquisitions offset by the impact of a stronger Australian dollar than in the comparative period.

EBITDA increased by $5.8M to $35.1M, up from $29.3M in HY16. Underlying EBITDA of $36.4M has increased by 14% from the prior corresponding period.

The Group achieved a statutory net profit after tax of $22.1M up from $18.5M in FY16. Underlying net profit after tax of $26.6M is 17% improvement over the prior period.

When comparing results to the prior corresponding period, the impact of the America Invents Act should be recalled. This led to a significant increase in inbound filings in Asia (peaking in September 2015) and to a lesser extent in Australia.

A significant impact on the half year result has been the movement in foreign exchange rates, in particular the strength of the USD at 31 December 2016. As the Group issues a material proportion of its invoices in USD, significant balances of USD denominated cash and receivables are carried on the balance sheet. As at 31 December 2016 the balance sheet contained US$16M in cash and US$17.3M in receivables. The revaluation of these balances into AUD at the half year end led to the recording of unrealised foreign exchange gains. These have subsequently reversed to the extent that the AUD has strengthened in January.

Included in the results to 31 December 2016 are net foreign exchange gains of $2.6M, compared to $1.5M in the prior corresponding period.

	Revenue[1] HY17	Revenue[1] HY16	Chg%	EBITDA HY17	EBITDA HY16	Chg%
Australian IP	64,017	47,128	35.8%	26,580	19,377	37.2%
Asian IP	31,767	31,770	0.0%	14,045	15,042	(6.6%)
	95,784	78,898	21.4%	40,625	34,419	18.0%
Data and Analytics Software	255	85		(1,059)	(386)	
Corporate Office	(197)	-		(3,092)	(1,751)	
Eliminations	(2,809)	(2,826)		(51)	(235)	
Underlying EBITDA / Revenue	**93,033**	**76,157**	22.2%	**36,423**	**32,047**	13.7%
Business acquisition costs				(1,766)	-	
Business combination adjustments				1,113	(2,276)	
New business establishment costs				(78)	-	
Share based payments				(622)	(495)	
Statutory EBITDA / Revenue	**93,033**	**76,157**	22.2%	**35,070**	**29,276**	19.8%
Interest Income				88	33	
Interest Expense				(629)	(886)	
Depreciation and amortisation				(5,081)	(2,953)	
Net Profit Before Tax				29,449	25,470	15.6%
Tax				(7,315)	(6,994)	
Net Profit After Tax				**22,134**	**18,476**	19.8%

1. Revenue includes the gross amount of the reimbursement by clients of official filing fees paid to national bodies. Previously these fees were recorded on a net basis. HY16 revenue has been increased by $7.2m for comparison. This change does not impact EBITDA.

Australian IP

The Australian IP segment achieved sales revenue growth of 37% to $59.3M of which $16.3m was attributable to the Cullens acquisition and full period contributions of the Pizzeys and Callinans legacy businesses (now merged into Fisher Adams Kelly Callinans).

The Group has maintained its number one market patent market share position (all patent applications filed in Australia) in the half year. The overall market is 3% down (in terms of number of patent filings) on the prior corresponding period, however this is primarily due to the impact of the America Invents Act in the comparative period.

EBITDA was up by 37% to $26.6M at a margin of 44.8%. This included organic growth of 6%. The organic growth was assisted by the successful integration of the Callinans business into Fisher Adams Kelly.

Asian IP

The Asian IP segment sales revenue declined by $0.5M to $30.7M. This included a contribution of two months trading from the Ella Cheong acquisition. The decline is not unexpected as a result of the spike in filings related to the America Invents Act (AIA) in the prior corresponding period.

EBITDA was down by $1.0M, or 6.6%, reflecting this as well as the investment in new offices in Thailand and Indonesia.

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

Data and Analytics Software

The Group continues to invest in its Data and Analytics Software business through its Practice Insight subsidiary. Key activities in the half-year have been the ongoing development of the Citation Eagle (formerly Licencing Alerts) and Wisetime products, as well as the build-up of sales resources. The existing Filing Analytics product has acquired 22 new customers in the half year. The Citation Eagle product is expected to launch in the first quarter of calendar 2017 and Wisetime is being trialled at IPH Group entities.

Corporate

The Corporate function has been strengthened to accommodate the demands of an ASX200 company. Additional resources in comparison to the corresponding period are: Group General Counsel; and the Chief Operating Officer.

Movements in FX Rates

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

	AUD/USD	AUD/EUR	AUD/SGD
HY16	0.7232	0.6553	1.0116
HY17	0.7544	0.6829	1.0416
Movement	4.3%	4.2%	3.0%

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

	AUD/USD	AUD/EUR	AUD/SGD
30 June 2016	0.7442	0.6701	1.0033
31 December 2016	0.7227	0.6858	1.0452
31 January 2017	0.7567	0.7057	1.0717

2.1.1 Adjustments to Statutory Results

Adjustments to the statutory EBITDA have been made for:

- **Business acquisition costs** – costs incurred in the pursuit of acquisitions which have been completed or are currently in progress
- **Business combination adjustments** – P&L impact of the revaluation of earn-out agreements for the Pizzeys and Callinans acquisitions and movement in the deferred consideration for Ella Cheong
- **New business establishment costs** – cost of establishing offices in Indonesia
- **Share based payments** – accounting charges for the share based incentive plans.

2.2 Statement of Financial Position

	Statutory Balance Sheet as at 31 Dec 2016	Statutory Balance Sheet as at 30 Jun 2016
$'m		
Cash and cash equivalents	32.2	58.7
Trade and other receivables	41.4	38.0
Other current assets	4.4	3.7
Total current assets	**78.0**	**100.4**
PP&E	4.1	4.3
Acquisition intangibles & goodwill	213.3	190.2
Deferred tax asset	4.9	3.1
Total assets	**300.3**	**298.0**
Trade and other payables	15.1	13.9
Loans and borrowings	0.0	0.0
Tax provisions	8.1	6.9
Deferred acquisition liability	9.1	28.2
Deferred tax liability	19.1	17.4
Other liabilities	9.5	9.8
Total liabilites	**60.9**	**76.2**
Net assets	**239.4**	**221.8**
Equity		
Issued capital	232.4	218.6
Reserves	(12.7)	(13.2)
Retained profits	19.7	16.4
Total equity	**239.4**	**221.8**

A summary of specific key movements are as follows:

Cash & cash equivalents

- The decrease in cash relates to the acquisition of Ella Cheong and payment of the final FY16 dividend. The Group has undrawn bank facilities of $95m at its disposal. The Group generated positive cash flows from operating activities of $24.2m.
- As at 31 December 2016 the cash balance was denominated in AUD (12%), USD (65%), other (23%).

Acquisition intangibles & goodwill

- The increase in intangible assets arises from the acquisition of Ella Cheong.
- Identifiable intangible assets consist of customer relationships $71.6m, trademarks $3.5m and software of $3.8m.
- Goodwill resulting from the acquisitions is $143m.

Liabilities

- The deferred acquisition liability has significantly reduced due to the settlement of earn out payments for both Pizzeys and Cullens. The outstanding balance includes $7.3m of cash consideration for the purchase of Ella Cheong and the balance being the remaining earnout liability for Callinans. This represents the fair value of the expected earn outs at 31 December and are payable within the next 12 months.

- The deferred tax liabilities relate to the identifiable intangible assets on acquisitions and have increased with the acquisition of Ella Cheong.

Equity

- The increase in issued capital arises on equity components of the settlement of deferred acquisition costs.

Acquisitions

On 28 October 2016 IPH completed its first international acquisition upon reaching agreement to acquire Ella Cheong (Hong Kong) Limited and its subsidiary Ella Cheong Intellectual Property Agency (Beijing) Company Limited ("Ella Cheong Hong Kong & Beijing"). Upon completion of the transaction Ella Cheong Hong Kong & Beijing was rebranded as Spruson & Ferguson, and further extends the IPH group's reach into Asia. The agreed purchase consideration for the acquisition is HK$169.4m (approximately A$28.9m).

The acquisitions represent a significant step in IPH's strategy of building an intellectual property network in secondary markets internationally and provide an excellent platform for Spruson & Ferguson to expand the provision of its services for existing and new clients in Greater China.

3. Dividends

Since the end of the financial year, the Directors have declared the payment of an interim ordinary dividend of 11.5 cents per share, fully franked. Going forward the Group expects dividends to be declared in the next financial year to be able to be franked at 60-80%.

4. Auditor's independence declaration

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

David Griffith
Managing Director

16 February 2017
Sydney

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Australia

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16 February 2017

The Board of Directors
IPH Limited
Level 35, St Martins Tower
31 Market Street
Sydney NSW 2000

Dear Board Members

IPH Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of IPH Limited.

As lead audit partner for the review of the financial statements of IPH Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Tara Hill
Partner
Chartered Accountant

IPH LIMITED

ABN 49 169 015 838

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

		Consolidated	
	Note	**31 Dec 2016**	**31 Dec 2015**
		$'000	**$'000**
Revenue		89,140	73,575
Other income	3	3,981	2,615
Expenses			
Agent fee expenses		(25,279)	(18,932)
Employee benefits expense		(24,132)	(18,006)
Depreciation and amortisation expenses		(5,081)	(2,953)
Rental expenses		(2,594)	(2,123)
Business acquisition costs		(731)	(1,971)
Business acquisition impairment		-	(961)
Insurance expenses		(336)	(288)
Travel expenses		(665)	(635)
Printing & stationery expenses		(236)	(217)
Other expenses		(4,002)	(3,748)
Finance costs		(616)	(886)
Profit before income tax expense		**29,449**	**25,470**
Income tax expense		(7,315)	(6,994)
Profit after income tax expense for the year		**22,134**	**18,476**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(61)	602
Other comprehensive income for the year, net of tax		(61)	602
Total comprehensive income for the year		**22,073**	**19,078**
Profit for the year is attributable to:			
Owners of IPH Limited		22,134	18,476
		22,134	**18,476**
Total comprehensive income for the year is attributable to:			
Owners of IPH Limited		22,073	19,078
		22,073	**19,078**
Earnings per share			
From continuing operations			
Basic earnings (cents per share)		11.63	10.98
Diluted earnings (cents per share)		11.54	10.90

The accompanying notes form part of these financial statements

IPH LIMITED

ABN 49 169 015 838

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		Consolidated	
	Note	**31 Dec 2016**	**30 Jun 2016**
		$'000	**$'000**
Current assets			
Cash and cash equivalents		32,245	58,761
Trade and other receivables		41,354	37,919
Other		4,443	3,678
Total current assets		**78,042**	**100,358**
Non-current assets			
Available-for-sale financial assets		30	29
Property, plant and equipment		4,092	4,350
Intangibles	5	213,305	190,156
Deferred tax		4,872	3,087
Total non-current assets		**222,299**	**197,622**
Total assets		**300,341**	**297,980**
Current liabilities			
Trade and other payables		15,154	13,924
Income tax		8,111	6,933
Provisions		5,916	6,328
Other	6	7,301	4,554
Other financial liabilities	7	3,485	25,462
Deferred revenue		1,474	1,195
Total current liabilities		**41,441**	**58,396**
Non-current liabilities			
Deferred tax		19,170	17,399
Provisions		324	373
Total non-current liabilities		**19,494**	**17,772**
Total liabilities		**60,935**	**76,168**
Net assets		**239,406**	**221,812**
Equity			
Issued capital	8	232,376	218,583
Reserves		(12,677)	(13,238)
Retained profits		19,707	16,467
Equity attributable to the owners of IPH Limited		239,406	221,812
Non-controlling interests		-	-
Total equity		**239,406**	**221,812**

The accompanying notes form part of these financial statements

IPH LIMITED

ABN 49 169 015 838

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Issued Capital	Foreign Currency Translation Reserve	Minority Interest Acquisition Reserve	Equity Settled Employee Benefits Reserve	Retained Profits	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2015	**35,305**	**(233)**	**(14,850)**	**495**	**14,461**	**35,178**
Profit for the period	-	-	-	-	18,476	18,476
Effect of foreign exchange differences	-	602	-	-	-	602
Total comprehensive income for the period	**-**	**602**	**-**	**-**	**18,476**	**19,078**
Transactions with owners in their capacity as owners:						
Issue of ordinary shares as consideration for a business combination, net of transaction costs	166,189	-	-	-	-	166,189
Share-based payments	-	-	-	463	-	463
Dividends paid	-	-	-	-	(16,341)	(16,341)
Balance at 31 December 2015	**201,494**	**369**	**(14,850)**	**958**	**16,596**	**204,567**
Balance at 1 July 2016	**218,583**	**272**	**(14,850)**	**1,340**	**16,467**	**221,812**
Profit for the period	-	-	-	-	22,134	22,134
Effect of foreign exchange differences	-	(61)	-	-	-	(61)
Total comprehensive income for the period	**-**	**(61)**	**-**	**-**	**22,134**	**22,073**
Transactions with owners in their capacity as owners:						
Issue of ordinary shares as consideration for a business combination, net of transaction costs (Note 8)	13,793	-	-	-	-	13,793
Share-based payments	-	-	-	622	-	622
Dividends paid (Note 9)	-	-	-	-	(18,894)	(18,894)
Balance at 31 December 2016	**232,376**	**211**	**(14,850)**	**1,962**	**19,707**	**239,406**

The accompanying notes form part of these financial statements

IPH LIMITED

ABN 49 169 015 838

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

		Consolidated	
	Note	31 Dec 2016	31 Dec 2015
		$'000	$'000
Cash flows from operating activities			
Receipts from customers		99,370	77,636
Payments to suppliers and employees		(66,889)	(47,816)
Interest received		88	33
Interest and other finance costs paid		(616)	(886)
Income taxes paid		(7,761)	(2,815)
Net cash from operating activities		**24,192**	**26,152**
Cash flows from investing activities			
Payments for purchase of subsidiaries, net of cash acquired	12	(15,587)	(37,200)
Deferred acquistion payments		(15,439)	-
Payments for property, plant and equipment		(428)	(1,085)
Payments for internally developed software		(644)	(882)
Net cash used in investing activities		**(32,098)**	**(39,167)**
Cash flows from financing activities			
Proceeds from issue of shares		-	108,454
Dividends paid		(18,893)	(13,291)
Repayment of borrowings		-	(10,508)
Net cash (used in)/provided by financing activities		**(18,893)**	**84,655**
Net increase/(decrease) in cash and cash equivalents		(26,799)	71,640
Cash and cash equivalents at the beginning of the financial year		58,761	5,346
Effects of exchange rate changes on cash and cash equivalents		283	5
Cash and cash equivalents at the end of the financial year		**32,245**	**76,991**

The accompanying notes form part of these financial statements

1. Significant accounting policies

Statement of compliance

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

It is also recommended that the half-year financial report be considered together with any public announcements made by IPH Limited and its controlled entities during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations under the Corporations Act 2001.

Basis of preparation

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

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2016 annual financial report for the financial year ended 30 June 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial

Change in Accounting Policy

The accounting policy for the recognition of subcontracted services revenue has been reviewed as part of the Group's assessment and alignment of the accounting policies of newly acquired entities. The new Standard AASB 15 Revenue from Contracts with Customers includes additional guidance in relation to the determination of principal versus agency relationship in the context of a performance obligation, such guidance is not as extensively included within the current AASB 118 Revenue Standard.

From 1 July 2016, the Group has changed its revenue recognition policy in relation to the treatment of filing fees paid to national IP bodies and recovered from clients. Under the new policy both reimbursement and payment of filing fees are recorded as gross revenue and expense in the Statement of Profit or Loss; previously they were netted off. The Group believes that recording filing fee transactions as gross provides information that is more relevant to the Group's business acting as principal for clients in preparing and lodging intellectual property applications with the relevant national bodies.

The 31 December 2015 comparative information has been amended to reflect the payment and receipt of filing fees which were paid by the Group and subsequently reimbursed by clients. During the prior Half Year, filing fees totalling $7.2m were shown as a net value rather being grossed up in the Statement of Profit or Loss and Other Comprehensive Income. As a result, revenue disclosed for 31 December 2015 has been amended to $73.5m (reported: $66.3m) and agents fees expense has been amended to $18.9m (reported: $11.7m). There has been no change to reported net profit, earnings per share or equity and reserve balances.

Amendments to Accounting Standards and the new Interpretation that are mandatorily effective for the current reporting period

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

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

Accounting Standards and Interpretations in issue not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2016. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' model to recognise an allowance. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed.

AASB 15 Revenue from Contracts with Customers

This standard is currently applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group expects to adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed.

AASB 16 Leases

This standard is currently applicable to annual reporting periods beginning on or after 1 January 2019. The Group expects to adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed.

Comparatives

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

Note 2. Operating Segments

Identification of reportable operating segments

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

The CODM reviews profit before interest, 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 is reported to the CODM on at least a monthly basis.

Intersegment transactions

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

Comparative Information

The 31 December 2015 comparatives have been represented to reflect the updated operating segments.

Note 2. Operating Segments (Continued)

Consolidated	Intellectual Property Services Australia		Intellectual Property Services Asia		Data and Analytics Software		Corporate		Intersegment eliminations / unallocated		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue												
Sales to external customers	59,204	42,589	29,935	30,986	-	-	-	-	-	-	89,139	73,575
Intersegment sales	130	734	759	240	-	-	-	-	(889)	(974)	-	-
Total sales revenue	59,334	43,323	30,694	31,226	-	-	-	-	(889)	(974)	89,139	73,575
Other revenue	4,683	3,805	1,073	544	255	85	(197)	-	(1,920)	(1,852)	3,894	2,582
Total revenue	**64,017**	**47,128**	**31,767**	**31,770**	**255**	**85**	**(197)**	**-**	**(2,809)**	**(2,826)**	**93,033**	**76,157**
Less: Overheads	(37,437)	(27,751)	(17,722)	(16,728)	(1,314)	(471)	(2,895)	(1,751)	2,758	2,591	(56,610)	(44,110)
Earnings before interest, tax, depreciation and amortisation (EBITDA), before adjustments	**26,580**	**19,377**	**14,045**	**15,042**	**(1,059)**	**(386)**	**(3,092)**	**(1,751)**	**(51)**	**(235)**	**36,423**	**32,047**
Less: Depreciation	(389)	(365)	(292)	(223)	(5)	-	(36)	(22)	-	-	(722)	(610)
Less: Amortisation	(3,148)	(1,464)	(144)	-	(710)	(634)	(367)	(245)	10	-	(4,359)	(2,343)
Segment result: (Profit before interest, tax and adjustments)	**23,043**	**17,548**	**13,609**	**14,819**	**(1,774)**	**(1,020)**	**(3,495)**	**(2,018)**	**(41)**	**(235)**	**31,342**	**29,094**

Reconciliation of segment result	2016	2015
Segment result	31,342	29,094
Adjustments to statutory result:		
Business acquistion costs	(1,766)	-
Business acquistion adjustments	1,113	(2,276)
New business establishment costs	(78)	-
Restructuring expenses	-	-
Share based payments	(622)	(495)
IPO Costs	-	-
Total adjustments	(1,353)	(2,771)
Interest income	88	33
Finance Costs	(629)	(886)
Profit for the period before income tax expense	**29,448**	**25,470**

Reconciliation of segment revenue	2016	2015
Segment revenue	**93,033**	76,157
Interest income	**88**	33
Total revenue	**93,121**	**76,190**

Note 3. Other Income

	Consolidated	
	31 Dec 2016 $'000	31 Dec 2015 $'000
Net Realised foreign exchange gain	513	1,570
Net Unrealised foreign exchange gain/(loss)	2,094	(88)
Other income	657	336
Commission	629	765
Interest	88	32
	3,981	**2,615**

Note 4. Expenses

Profit before income tax includes the following specific expenses:

	Consolidated	
	31 Dec 2016 $'000	31 Dec 2015 $'000
Depreciation	722	610
Amortisation	4,359	2,343
	5,081	2,953
Share based payments	622	495
Superannuation expense	1,758	1,388
Acquisition costs	1,766	-
New business establishment costs	78	-
Deferred acquisition costs remeasurement	(1,113)	1,315
Business acquistion impairment - customer relationships	-	961

Profit before income tax includes the following specific expenses:

	Consolidated	
	31 Dec 2016 $'000	31 Dec 2015 $'000
Finance costs		
Other financing expense	616	886
	616	**886**

Note 5. Intangible Assets

	Consolidated 31 Dec 2016 $'000	Consolidated 30 Jun 2016 $'000
Goodwill - at cost	142,997	124,156
Patents and trade marks - at cost	3,511	3,511
	146,508	**127,667**
Capitalised software development - at cost	6,194	5,783
Less: Accumulated amortisation	(2,828)	(1,979)
	3,366	**3,804**
Customer Relationships	71,598	63,570
Less: Accumulated amortisation	(7,206)	(3,924)
Less : Accumulated impairment	(961)	(961)
	63,431	**58,685**
	213,305	**190,156**

Reconciliation of carrying amount

Consolidated	Goodwill	Patents and trade marks	Customer relationships	Capitalised software development	Total
Cost	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2016	124,156	3,511	63,570	5,783	197,020
Acquisitions - internally developed	-	-	-	411	411
Acquisitions - through business combinations	18,841	-	8,028	-	26,869
Balance at 31 December 2016	**142,997**	**3,511**	**71,598**	**6,194**	**224,300**
Accumulated Amortisation and impairment losses					
Balance at 1 July 2016	-	-	(4,885)	(1,979)	(6,864)
Amortisation expense	-	-	(3,282)	(849)	(4,131)
Balance at 31 December 2016	**-**	**-**	**(8,167)**	**(2,828)**	**(10,995)**
Carrying amounts					
At 1 July 2016	124,156	3,511	58,685	3,804	190,156
At 31 December 2016	142,997	3,511	63,431	3,366	213,305

Note 6. Current liabilities - other

	Consolidated 31 Dec 2016 $'000	Consolidated 30 Jun 2016 $'000
Deferred consideration	**7,301**	**4,554**

Represents the estimated fair value of the deferred consideration relating to the acquistion of Ella Cheong (Hong Kong) Ltd on 31 October 2016 (note 12). Prior period consideration was in relation to the acquistion of Cullens and was settled during the half-year.

Note 7. Current liabilities - other financial liabilities

	Consolidated	
	31 December 2016 $'000	30 June 2016 $'000
Deferred Acquisition costs	1,789	23,674
Lease Incentive liability	1,496	1,581
Preference shares	200	200
Other	-	7
	3,485	**25,462**

Deferred acquistion costs relate to additional consideration arising on settlement that is dependent on certain performance conditions being met. The balance represents the fair value of the expected consideration due to paid at the designated date.

Reconciliations

Reconciliation of the movement in deferred acquistion costs for the financial year is set out below:

	Consolidated	
	31 December 2016 $'000	30 June 2016 $'000
Opening balance	23,674	-
Recognised on acquistion	-	24,306
Revaluation of liability	(1,520)	(632)
Deferred Consideration paid[1]	(20,365)	-
	1,789	**23,674**

1. Deferred consideration paid includes both cash component and issue of shares (note 8)

Note 8. Equity - issued capital

	Consolidated		Consolidated	
	31 Dec 2016 Shares	30 Jun 2016 Shares	31 Dec 2016 $'000	30 Jun 2016 $'000
Ordinary Class shares - fully paid	191,427,822	188,883,320	232,376	218,583
	191,427,822	**188,883,320**	**232,376**	**218,583**

Movements in ordinary share capital

	Date	Shares	$'000
Opening Balance	1 July 2015	162,378,265	35,305
Acquisition of Fisher Adams Kelly Pty Ltd	27 August 2015	1,029,010	4,950
Acquisition of Pizzeys Patent & Trademark Attorneys	30 September 2015	6,776,263	46,756
Dividend reinvestment plan issues	7 October 2015	507,271	3,050
Acquisition of Callinans Patent & Trademark Attorneys	2 November 2015	393,932	2,978
Shares issued	1 December 2015	15,197,330	110,940
Capital raising costs		-	(1,790)
Retention rights exercised	2 December 2015	47,619	-
Acquisition of Cullens & Cullens Services No 1Pty Ltd	30 June 2016	2,553,630	16,394
Balance at 30 June 2016		**188,883,320**	**218,583**
Retention rights exercised	19 August 2016	42,187	-
Acquisition of Pizzeys Patent & Trademark Attorneys (i)	31 August 2016	1,229,545	6,787
Acquisition of Cullens & Cullens Services No 1Pty Ltd (i)	31 August 2016	487,890	2,693
Acquisition of Ella Cheong (Hong Kong) Ltd	31 October 2016	737,261	4,313
Retention rights exercised	6 December 2016	47,619	-
Balance at 31 December 2016		**191,427,822**	**232,376**

(i) Final Settlement

Ordinary shares

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

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

Note 9. Equity - dividends

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

	Cents per share	Consolidated 31 Dec 2016 $'000	Consolidated 31 Dec 2015 $'000
Final dividend			
June 2015 - paid 7 October 2015	10.0	-	16,341
June 2016 - paid 14 September 2016	10.0	18,894	-

On 16 February 2017, the Company declared an interim dividend of 11.5 cents per share (franked at 11.5 cents) to be paid on 15 March 2017. The dividend value is $22,030,673. No provision for this dividend has been recognised in the Statement of Financial Position as at 31 December 2016, as it was declared after the end of the financial year.

Note 10. Earnings per share

	Consolidated	
	31 Dec 2016	31 Dec 2015
	$'000	$'000
Profit after income tax	22,134	18,476
Profit after income tax attributable to the owners of IPH Limited	**22,134**	**18,476**
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	190,303,665	168,251,314
Options over ordinary shares	1,436,376	1,291,298
Weighted average number of ordinary shares used in calculating diluted earnings per share	191,740,041	169,542,612
	Cents	**Cents**
Basic earnings per share	11.63	10.98
Diluted earnings per share	11.54	10.90

Note 11. Events Subsequent to Reporting Date

There have been no events subsequent to balance date which would have a material effect on the Group's consolidated financial statements as at 31 December 2016.

Note 12. Business combinations

Ella Cheong (Hong Kong) Limited

On 31 October 2016, the Group acquired 100% of the ordinary shares of Ella Cheong (Hong Kong) Limited under the terms of a Share Purchase Agreement (SPA). The agreed purchase price was HK$169,414,000 (A$28,916,000). The consideration is settled by way of issue of 737,261 IPH shares at an issue price of $5.4933 and cash of A$17,709,000.

The initial accounting for the acquisition has only been provisionally determined at the end of the reporting period. The assets for which final accounting has not been completed include customer relationships.

The acquired business contributed revenues of $2,218,000 and profit after tax of $480,835 the Group for the period from 1 November 2016 to 31 December 2016. If the acquisition occurred on 1 July 2016, the full half year contributions would have been revenues of $6,622,000 and profit after tax of $1,265,515.

Consideration transferred

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

	$'000
Cash	17,709
Equity instruments (737,261 ordinary shares)	4,313
Deferred consideration	6,894
Total consideration transferred	**28,916**

The Group incurred acquisition related costs of $161,000. These costs have been included in business acquisition expenses.

Equity instruments issued

$4,049,996 of the purchase price was settled by way of the issue of 737,261 ordinary shares in IPH to the vendors of Ella Cheong (Hong Kong) Ltd at an issue price of $5.4933 per share. The shares issued have been recorded in the financial statements at the acquisition date fair value of $5.85 per share totalling $4,313,000.

Deferred consideration

HK$41,457,000 of the purchase price has been deferred and is payable in cash in April 2017. At 31 December 2016, after discounting adjustments and foreign exchange translation this has been recorded in the financial statements at A$7,301,075

Identifiable assets acquired and liabilities assumed

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

	Fair value $'000
Cash and cash equivalents	2,122
Trade and other receivables	2,369
Other assets	519
Property, plant and equipment	34
Intangible assets - customer relationships	8,028
Deferred tax liabilities	(1,325)
Trade and other payables	(975)
Current tax liability	(286)
Other creditors	(411)
Net assets acquired	10,075
Goodwill	18,841
Acquistion-date fair value of total consideration transferred	**28,916**
Cash used to acquire business, net of cash acquired:	
Acquistion-date fair value of total consideration transferred	28,916
Less: shares issued by company as part of consideration	(4,313)
Less: cash and cash equivalents acquired	(2,122)
Deferred consideration	(6,894)
Net cash used	**15,587**

IPH LIMITED
ABN 49 169 015 838
DIRECTORS DECLARATION

The Directors declare that:

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

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

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

David Griffith
Managing Director
16 February 2017
Sydney

Deloitte.

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

We have reviewed the accompanying half-year financial report of IPH Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, and the condensed consolidated statement of profit and loss and other comprehensive, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 21.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of IPH Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Deloitte.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Tara Hill
Partner
Chartered Accountants
Sydney, 16 February 2017