IPH Limited
ACN 169 015 838

Appendix 4D – Half Yearly Financial Report

Half Year ended 31 December 2017 ("HY18")
Results for announcement to the market

Results		Change		HY18 $'000	HY17 $'000
Revenue from ordinary activities	Up	8.8%	to	101,249	93,121
Profit from ordinary activities after tax attributable to members	Down	10.8%	to	19,739	22,134
Profit for the period attributable to members	Down	10.8%	to	19,739	22,134

Dividends	Amount per Share	Franked amount per Share
Half year ended 31 December 2017 - Interim dividend	11.5c	4.6c
Half year ended 31 December 2016 - Interim dividend	11.5c	11.5c
Interim Dividend sourced from Conduit Foreign Income	6.9c	
Record date for determining entitlements to the dividend	21 February 2018	

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 22 February 2018.

Other	HY18	HY17
Net tangible asset backing per share	$0.08	$0.21

Explanation of Result

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

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

IPH LIMITED

IPH Limited and its Controlled Entities

HALF YEAR FINANCIAL REPORT

For the Half Year Ended 31 December 2017

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 2017.

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, AJ Park and data analytics software development company, Practice Insight. The group employs a multidisciplinary team of approximately 635 people in Australia, New Zealand, Singapore, Malaysia, Thailand, Indonesia, China and Germany.

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

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

1. Directors

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

Name	Office
Mr Richard Grellman, AM	Non-executive Chairman
Mr David Griffith	Managing Director and Chief Executive Officer (retired 20 November 2017)
Dr Andrew Blattman	Managing Director and Chief Executive Officer (appointed 20 November 2017)
Ms Robin Low	Non-executive Director
Dr Sally Pitkin	Non-executive Director (resigned 20 November 2017)
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 HY18 underlying earnings of the Group have been determined by adding back to statutory earnings amounts eliminating the effect of business acquisition adjustments, business acquisition costs, new business establishment costs and non-cash share based payments expenses.

Revenue has grown by 9% from $93.0M to $101.2M, driven by organic growth and the impact of acquisitions offset by the impact of a stronger Australian dollar than in the comparative period.

EBITDA decreased by $3.3M to $31.8M, down from $35.1M in HY17. Underlying EBITDA of $33.2M has decreased by 9% from the prior corresponding period.

The Group achieved a statutory net profit after tax of $19.7M down from $22.1M in HY17. Underlying net profit after tax of $24.4M is 8% down from the prior period.

A significant impact on the half year result in comparison to the prior period has been the movement in foreign exchange rates, in particular the average USD exchange rate was 2.5c lower than the average rate during the prior comparative period. In addition, all of the above comparatives were impacted by the recording of a large unrealised foreign exchange gain on the revaluation of USD denominated balances at 31 December 2016. As explained at last year's results announcement, this gain reversed in January 2017. The combination of these factors negatively impacted the comparative results by approximately $3.1m.

	Revenue HY18	Revenue HY17	Chg%	EBITDA HY18	EBITDA FY17	Chg%
Australian & New Zealand IP	67,650	64,017	6%	24,172	26,580	(9%)
Asian IP	35,653	31,767	12%	13,553	14,045	(4%)
	103,303	95,784	8%	37,725	40,625	(7%)
Data and Analytics Software	556	255		(1,338)	(1,059)	
Corporate Office	606	(197)		(3,105)	(3,092)	
Eliminations	(3,232)	(2,809)		(57)	(51)	
Underlying Revenue / EBITDA	**101,233**	**93,033**	9%	**33,225**	**36,423**	(9%)
Business acquisition costs				(925)	(1,766)	
Business combination adjustments				642	1,113	
New business establishment costs				(172)	(78)	
Restructuring expenses				(223)	-	
Share based payments				(735)	(621)	
Statutory Revenue / EBITDA	**101,233**	**93,033**	9%	**31,812**	**35,071**	(9%)
Interest Income				16	88	
Interest Expense				(758)	(629)	
Depreciation and amortisation				(5,999)	(5,081)	
Net Profit Before Tax				25,071	29,449	(15%)
Tax				(5,332)	(7,315)	
Net Profit After Tax				**19,739**	**22,134**	(11%)

Impact of Foreign Exchange Movements

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

(i) Revaluation of foreign denominated assets and liabilities

Group companies invoice the majority of their revenue in USD reflecting the preference of the client base. Accordingly the Group carries a material amount of USD denominated cash and receivables. As at 31 December the balance sheet contained US$6.5m in cash and

US$17.3m in receivables. Unrealised revaluation gains of these amounts during the six month period totalled $97k compared to $2.1m in the comparative period.

In the six months to 31 December 2017, the Group sought to address this unhedged exposure by drawing debt related to the acquisition of AJ Park in USD (US$26m). Unrealised revaluation gains related to this balance are $715k.

The net unrealised gains arising from these assets and liabilities totals $812k compared to $2.1m in the comparative period.

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

	AUD/USD	AUD/EUR	AUD/SGD
31 December 2016	0.7227	0.6858	1.0452
30 June 2017	0.7692	0.6919	1.0598
31 December 2017	0.7806	0.6516	1.0434

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

Revenue derived by the Group is recorded at the rate of the day of transaction. The Group invoices 62% of its revenue in USD, with a relatively low proportion of USD denominated expenses.

The average exchange rate at which this revenue was derived during the six months to 31 December 2017 was 0.7792, while in the comparative period it was 0.7544. This had the effect of reducing the current period revenue & EBITDA by $1.8m

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

	AUD/USD	AUD/EUR	AUD/SGD
HY17	0.7544	0.6829	1.0416
HY18	0.7792	0.6624	1.0576
Movement	3.2%	(3.0%)	1.5%

(iii) Profit and loss account translations

The Group has a number of subsidiaries whose functional currency is not AUD, the largest of which being Singapore. The results of these subsidiaries are translated into AUD for consolidation purposes every month. The average AUD/SGD was 1.0576 in the current period and 1.0416 in the prior corresponding period. This has the effect of reducing revenue by $0.2m and increasing EBITDA by $47k.

Australian & New Zealand IP

The Australian & New Zealand IP segment achieved sales revenue growth of 6% to $67.7m of which $9m was attributable to the AJ Park acquisition.

In Australia, patent filings across the IPH group have tracked to the slight decline in the overall market, while the like-for-like revenue decline of 5% is slightly higher due to a further, less material, cycling of the AIA Impact. Pleasingly, the like for like EBITDA decline is only 2% reflecting our continued focus on margin enhancement.

The AIA led a further revenue spike (albeit smaller due to the lower fees involved and the potential for filings to be abandoned in the meantime) in the first half of FY17. Eliminating this impact would reduce period on period revenue decrease to 3%, and lead to EBITDA growth of 2%. The effect in Asia (which had a higher proportion of AIA related filings) is not as profound as the filings were across various jurisdictions where the process and timeframes can vary.

The Group has maintained its number one market patent market share position (all patent applications filed in Australia) in the half year despite the overall market being 2% down (in terms of number of patent filings) on the prior corresponding period.

AJ Park is the number one filer in the New Zealand market.

EBITDA was down by 9% to $24.1M at a margin of 35.7%. This includes the impact of unfavourable foreign exchange movements. On a like for like basis the EBITDA was down 2%, less than the revenue decrease due to continued efforts on margin improvement.

On 6 February 2018 it was announced that two subsidiaries, Fisher Adams Kelly Callinans and Cullens, will merge with Spruson & Ferguson Australia and operate under the Spruson & Ferguson brand from April 2018 with full integration expected to be completed early in financial year 2019.

Asian IP

The Asian IP segment sales revenue increased by $3.9M to $35.7M. This included a contribution of $7.1M from the additional four months of S&F (Hong Kong) business following the Ella Cheong acquisition in October 2016. On a like for like basis revenue has grown by 4% which represents a return to growth post the impact of the America Invents Act (AIA) in FY16.

EBITDA was down by $0.5M, or 3.5%, which includes the impact of unfavourable foreign exchange movements. On a like for like basis EBITDA has grown by 3%.

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. All products have been released and the business continues to build its sales pipeline. The Filing Analytics client list has now expanded to 113 customers and initial sales have now been made of each product.

Corporate

Dr Andrew Blattman commenced his role as Chief Executive Officer following the retirement of David Griffith on 20 November 2017.

2.1.1 Adjustments to Statutory Results

Adjustments to the statutory EBITDA have been made for:

- **Business acquisition costs** – costs incurred in the pursuit of acquisitions which have been completed or are currently in progress
- **Business combination adjustments** – foreign exchange gains arising on the accounting for the AJ Park acquisition
- **New business establishment costs** – cost of establishing new offices
- **Share based payments** – accounting charges for the share based incentive plans.

2.2 Statement of Financial Position

	Balance Sheet as at 31 Dec 2017	Balance Sheet as at 30 Jun 2017
$'m		
Cash and cash equivalents	18.3	24.4
Trade and other receivables	47.1	38.0
Other current assets	6.6	3.4
Total current assets	**72.0**	**65.8**
PP&E	6.7	2.8
Acquisition intangibles & goodwill	272.4	213.1
Deferred tax asset	5.9	5.1
Other non-current assets	0.2	0.2
Total assets	**357.2**	**287.0**
Trade and other payables	14.7	11.2
Tax provisions	3.4	6.9
Deferred tax liability	24.8	18.7
Borrowings	33.3	-
Other liabilities	11.8	10.5
Total liabilities	**88.0**	**47.3**
Net assets	**269.2**	**239.7**
Equity		
Issued capital	263.1	233.6
Reserves	(11.9)	(12.3)
Retained profits	18.0	18.4
Total equity	**269.2**	**239.7**

A summary of specific key movements are as follows:

Cash & cash equivalents

- The overall decrease in cash includes outflows related to the acquisition of AJ Park. The Group generated positive cash flows from operating activities of $18.3m.
- As at 31 December 2017 the cash balance was denominated in AUD (20%), USD (35%), other (45%).

Acquisition intangibles & goodwill

- The increase in intangible assets arises from the acquisition of AJ Park, which generated increases of $40.3m in goodwill and $23.2 in recognised intangibles.

- Identifiable intangible assets, net of amortisation, consist of: customer relationships $76.3m; trademarks $6.4m; internally developed software $3.6m and acquired software of $1.3m.

- Goodwill resulting from acquisitions is $185m.

Liabilities

- Group borrowings of $33.3m arise on the drawdown of US$26m of debt to fund the acquisition of AJ Park. During the period the Group extended and amended its existing bank facilities to better reflect immediate business needs. Facilities now extend to 1 January 2021, while the facility capacity has reduced from $97m to $54m. At 31 December 2017 undrawn facilities of c.$14m were available.

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

Equity

- The increase in issued capital primarily relates to the part funding of the AJ Park acquisition by the issue of shares.

Acquisitions

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 agreed purchase price was NZ$66m (A$60.5m). The consideration is settled by way of issue of 4,621,547 IPH shares at an issue price of $4.61 and cash of NZ$36.2m

The acquisition continues to deliver on IPH's strategy of building an intellectual property network in secondary markets internationally.

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, of which 40% will be franked and 60% distributed as Conduit Foreign Income. Going forward the Group expects dividends to be declared in the next financial year to be able to be franked at 40-60%.

4. Auditor's independence declaration

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

Andrew Blattman
Managing Director

15 February 2018
Sydney

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

15 February 2018

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 2017, 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

H Fortescue
Partner
Chartered Accountants

IPH LIMITED

ABN 49 169 015 838

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

		Consolidated	
	Note	31 Dec 2017	31 Dec 2016
		$'000	$'000
Revenue		98,844	89,140
Other income	3	2,405	3,981
Expenses			
Agent fee expenses		(28,928)	(25,279)
Employee benefits expense		(29,783)	(24,132)
Depreciation and amortisation expenses	4	(5,999)	(5,081)
Rental expenses		(3,331)	(2,594)
Business acquisition & restructuring costs		(551)	(731)
Insurance expenses		(441)	(336)
Travel expenses		(877)	(665)
Other expenses	4	(5,510)	(4,238)
Finance costs	4	(758)	(616)
Profit before income tax expense		**25,071**	**29,449**
Income tax expense		(5,332)	(7,315)
Profit after income tax expense for the year		**19,739**	**22,134**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(451)	(61)
Other comprehensive income for the year, net of tax		(451)	(61)
Total comprehensive income for the year		**19,288**	**22,073**
Profit for the year is attributable to:			
Owners of IPH Limited		19,739	22,134
		19,739	**22,134**
Total comprehensive income for the year is attributable to:			
Owners of IPH Limited		19,288	22,073
		19,288	**22,073**
Earnings per share			
From continuing operations			
Basic earnings (cents per share)	9	10.10	11.63
Diluted earnings (cents per share)	9	10.05	11.54

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 2017

		Consolidated	
	Note	31 Dec 2017	30 Jun 2017
		$'000	$'000
Current assets			
Cash and cash equivalents		18,279	24,398
Trade and other receivables		47,078	38,020
Other		6,641	3,426
Total current assets		**71,998**	**65,844**
Non-current assets			
Available-for-sale financial assets		180	180
Property, plant and equipment		6,727	3,004
Intangibles	5	272,429	212,926
Deferred tax		5,921	5,077
Total non-current assets		**285,257**	**221,187**
Total assets		**357,255**	**287,031**
Current liabilities			
Trade and other payables		14,731	11,244
Income tax		3,392	6,903
Provisions		6,643	6,271
Other financial liabilities		200	200
Deferred revenue		766	1,029
Total current liabilities		**25,732**	**25,647**
Non-current liabilities			
Borrowings	6	33,308	-
Other financial liabilities		4,009	1,370
Deferred tax		24,822	18,715
Provisions		171	1,605
Total non-current liabilities		**62,310**	**21,690**
Total liabilities		**88,042**	**47,337**
Net assets		**269,213**	**239,694**
Equity			
Issued capital	7	263,113	233,598
Reserves		(11,941)	(12,340)
Retained profits		18,041	18,436
Total equity attributable to the owners of IPH Limited		**269,213**	**239,694**

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 2017

	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 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	13,793	-	-	-	-	13,793
Share-based payments	-	-	-	622	-	622
Dividends paid	-	-	-	-	(18,894)	(18,894)
Balance at 31 December 2016	**232,376**	**211**	**(14,850)**	**1,962**	**19,707**	**239,406**
Balance at 1 July 2017	**233,598**	**(166)**	**(14,850)**	**2,676**	**18,436**	**239,694**
Profit for the period	-	-	-	-	19,739	19,739
Effect of foreign exchange differences	-	(451)	-	-	-	(451)
Total comprehensive income for the period	**-**	**(451)**	**-**	**-**	**19,739**	**19,288**
Transactions with owners in their capacity as owners:						
Issue of ordinary shares as consideration for a business combination, net of transaction costs (Note 11)	27,036	-	-	-	-	27,036
Dividend Reinvestment plan (Note 8)	2,479	-	-	-	(2,479)	-
Share-based payments	-	-	-	850	-	850
Dividends paid (Note 8)	-	-	-	-	(17,655)	(17,655)
Balance at 31 December 2017	**263,113**	**(617)**	**(14,850)**	**3,526**	**18,041**	**269,213**

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 2017

	Note	Consolidated 31 Dec 2017 $'000	31 Dec 2016 $'000
Cash flows from operating activities			
Receipts from customers		110,380	99,370
Payments to suppliers and employees		(81,390)	(66,889)
Interest received		16	88
Interest and other finance costs paid		(759)	(616)
Income taxes paid		(9,953)	(7,761)
Net cash from operating activities		**18,294**	**24,192**
Cash flows from investing activities			
Payments for purchase of subsidiaries, net of cash acquired	11	(38,621)	(15,587)
Deferred acquistion payments		-	(15,439)
Payments for property, plant and equipment		(420)	(428)
Payments for internally developed software		(1,377)	(644)
Net cash used in investing activities		**(40,418)**	**(32,098)**
Cash flows from financing activities			
Dividends paid		(17,655)	(18,893)
Proceeds of borrowings		34,022	-
Net cash provided by/(used in) financing activities		**16,367**	**(18,893)**
Net decrease in cash and cash equivalents		(5,757)	(26,799)
Cash and cash equivalents at the beginning of the financial period		24,398	58,761
Effects of exchange rate changes on cash and cash equivalents		(362)	283
Cash and cash equivalents at the end of the financial period		**18,279**	**32,245**

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 2017 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 2017 annual financial report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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 period ended 31 December 2017. 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 and the financial impact of its adoption is currently being assessed. The primary exposure of the group is to trade debtors, creditors and any debt that may be drawn.

AASB 15 Revenue from Contracts with Customers

This standard is currently applicable to annual reporting periods beginning on or after 1 January 2018. AASB 15 replaces all current guidance on revenue recognition from contracts with customers. It 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 of the goods or services are transferred to the customer. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

The Group expects to adopt the standard from 1 July 2018 and apply the standard retrospectively, recognising the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings. The new standard will be relevant to the recognition of service charges and recoverable expenses. A project is currently under way to determine the financial impact of adoption on the Group which not expected to be significant.

AASB 16 Leases

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

The Group expects to adopt the standard from 1 July 2019 and the primary impact from adoption will be the treatment of premises and leased office equipment across the Group. The adoption of the standard will increase net current assets and lease liabilities due to the recognition of the lease liability and right of use asset; expense relating to minimum lease payments will reduce and there will be an increase in interest expense. A project is currently under way to determine the quantum of these changes.

Comparatives

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

Note 2. Operating Segments

Identification of reportable operating segments

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

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

Intersegment transactions

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

Note 2. Operating Segments (Continued)

Consolidated	Intellectual Property Services – Australia & New Zealand		Intellectual Property Services – Asia		Data and Analytics Software		Corporate		Intersegment eliminations / unallocated		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue												
Sales to external customers	64,137	59,204	34,707	29,935	-	-	-	-	-	-	98,844	89,139
Intersegment sales	236	130	1,060	759	-	-	-	-	(1,296)	(889)	-	-
Total sales revenue	64,373	59,334	35,767	30,694	-	-	-	-	(1,296)	(889)	98,844	89,139
Other revenue	3,277	4,683	(114)	1,073	556	255	606	(197)	(1,936)	(1,920)	2,389	3,894
Total revenue	**67,650**	**64,017**	**35,653**	**31,767**	**556**	**255**	**606**	**(197)**	**(3,232)**	**(2,809)**	**101,233**	**93,033**
Less: Overheads	(43,478)	(37,437)	(22,100)	(17,722)	(1,894)	(1,314)	(3,711)	(2,895)	3,175	2,758	(68,008)	(56,610)
Earnings before interest, tax, depreciation and amortisation (EBITDA), before adjustments	**24,172**	**26,580**	**13,553**	**14,045**	**(1,338)**	**(1,059)**	**(3,105)**	**(3,092)**	**(57)**	**(51)**	**33,225**	**36,423**
Less: Depreciation	(487)	(389)	(83)	(292)	(11)	(5)	(65)	(36)	-	-	(646)	(722)
Less: Amortisation	(3,534)	(3,148)	(488)	(144)	(930)	(710)	(412)	(367)	11	10	(5,353)	(4,359)
Segment result: (Profit before interest, tax and adjustments)	**20,151**	**23,043**	**12,982**	**13,609**	**(2,279)**	**(1,774)**	**(3,582)**	**(3,495)**	**(46)**	**(41)**	**27,226**	**31,342**

	2017	2016
Reconciliation of segment result		
Segment result	27,226	31,342
Adjustments to statutory result:		
Business acquisition costs	(925)	(1,766)
Business acquisition adjustments	642	1,113
New business establishment costs	(172)	(78)
Restructuring expenses	(223)	-
Share based payments	(735)	(622)
Total adjustments	(1,413)	(1,353)
Interest income	16	88
Finance Costs	(758)	(629)
Profit for the period before income tax expense	**25,071**	**29,448**
Reconciliation of segment revenue		
Segment revenue	**101,233**	93,033
Interest income	**16**	88
Total revenue	**101,249**	**93,121**

Note 3. Other Income

	Consolidated	
	31 Dec 2017	31 Dec 2016
	$'000	$'000
Net Realised foreign exchange (loss)/gain	(270)	513
Net Unrealised foreign exchange gain	812	2,094
Other income	1,105	657
Commission	742	629
Interest	16	88
	2,405	**3,981**

Note 4. Expenses

Profit before income tax includes the following specific expenses:

	Consolidated	
	31 Dec 2017	31 Dec 2016
	$'000	$'000
Depreciation	646	722
Amortisation - Acquired Intangibles	4,380	3,770
Amortisation - Software Development	973	589
	5,999	5,081
Share based payments	735	622
Other expenses		
Professional Fees	995	268
IT & Communication	986	724
Office Expenses	788	364
Other expenses	2,741	2,882
	5,510	4,238
Finance costs		
Interest on bank facilities	177	17
Other interest expense - Facility fees	581	599
	758	**616**

Note 5. Intangible Assets

	Consolidated 31 Dec 2017 $'000	Consolidated 30 Jun 2017 $'000
Goodwill - at cost	184,870	144,570
Patents and trade marks - at cost	6,385	3,519
	191,255	**148,089**
Capitalised software development - at cost	7,157	5,780
Less: Accumulated amortisation	(3,585)	(2,612)
	3,572	**3,168**
Software Acquired	3,805	3,805
Less: Accumulated amortisation	(2,544)	(2,064)
	1,261	**1,741**
Customer Relationships	91,911	71,598
Less: Accumulated amortisation	(14,609)	(10,709)
Less: Accumulated impairment	(961)	(961)
	76,341	**59,928**
	272,429	**212,926**

Reconciliation of carrying amount

Consolidated	**Goodwill**	**Patents and trade marks**	**Customer relationships**	**Capitalised software development**	**Software Acquired**	**Total**
Cost	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2017	144,570	3,519	71,598	5,780	3,805	229,272
Acquisitions - internally developed	-	-	-	1,377	-	1,377
Acquisitions - through business combinations	40,300	2,866	20,313	-	-	63,479
Balance at 31 December 2017	**184,870**	**6,385**	**91,911**	**7,157**	**3,805**	**294,128**
Accumulated Amortisation and impairment losses						
Balance at 1 July 2017	-	-	(11,670)	(2,612)	(2,064)	(16,346)
Amortisation expense	-	-	(3,900)	(973)	(480)	(5,353)
Balance at 31 December 2017	**-**	**-**	**(15,570)**	**(3,585)**	**(2,544)**	**(21,699)**
Carrying amounts						
At 30 June 2017	144,570	3,519	59,928	3,168	1,741	212,926
At 31 December 2017	184,870	6,385	76,341	3,572	1,261	272,429

Data & Analytics Software

At 31 December 2017 goodwill of $3.8 million and intangible assets of $3.0 million is allocated to the Practice Insight cash generating unit ("CGU") and has been tested for impairment this period. The recoverable amount of the CGU has been determined using a value-in-use calculation using cash flow projections based on financial budgets prepared by management and approved by the Board. 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 key assumptions used for the value-in-use calculation at 31 December 2017 are as follows:

	5 yr EBITDA CAGR		**Terminal growth rates**	**Discount rates Pre-Tax**	**Discount rates Post-Tax**
	31 Dec 2017	**30 Jun 2017**	**31 Dec 2017 & 30 Jun 2017**		
	%	**%**	**%**	**%**	**%**
Practice Insight	27.6	20.8	2.5	25.0	17.5

Sensitivity Analysis

Sensitivity analysis has been conducted on the assumptions above to assess the effect on the recoverable amount of changes in the key assumptions. A decrease of the 5 year EBITDA CAGR by 4% or an increase in the post tax discount rate of 3% would result in the carrying value of the Practice Insight CGU to equal the recoverable amount.

Note 6. Borrowings

	Consolidated	
	31 Dec 2017	**30 Jun 2017**
Non Current	**$'000**	**$'000**
Bank Overdraft	-	-
Multi-option facility	33,308	-
	33,308	**-**

On 25 August 2014, the Group entered into a facilities agreement ('Agreement') with Australian and New Zealand Banking Group Limited ('ANZ'). The facilities under the Agreement comprised:

- A multi-option facility with a term of three years for the general corporate purposes of the Group; and
- A revolving annual credit facility allowing for financial guarantees and standby letters of credit to be issued for the general corporate purposes of the Group.

On 7 July 2015, IPH Limited amended the Agreement to extend the facility to $97 million over a three year term maturing on 31 July 2018 comprising:

- A multi-option acquisition loan facility
- A multi-option revolving loan facility including a bank guarantee facility and overdraft facility for the general corporate purposes of the Group

On 20 December 2017, IPH Limited amended the Agreement and while maintaining the multi-option acquisition loan facility and multi-option revolving loan facility including a bank guarantee and overdraft facility for the general corporate purposes of the Group, the following changes were made:

- The facility limit was reduced from $97 million to $54 million.
- The maturity date was extended by three years to 1 January 2021.

Note 7. Equity - issued capital

	Consolidated		Consolidated	
	31 Dec 2017	**30 Jun 2017**	**31 Dec 2017**	**30 Jun 2017**
	Shares	**Shares**	**$'000**	**$'000**
Ordinary Class shares - fully paid	197,276,268	191,688,526	263,113	233,598
	197,276,268	**191,688,526**	**263,113**	**233,598**

Movements in ordinary share capital

	Date	**Shares**	**$'000**
Opening Balance	1 July 2016	188,883,320	218,583
Retention rights exercised	19 August 2016	42,187	-
Acquisition of Pizzeys Patent & Trademark Attorneys[1]	31 August 2016	1,229,545	6,787
Acquisition of Cullens & Cullen Services No 1Pty Ltd[1]	31 August 2016	487,890	2,693
Acquisition of Ella Cheong (Hong Kong) Ltd[1]	31 October 2016	737,261	4,313
Retention rights exercised	6 December 2016	47,619	-
Acquisition of Callinans Patent & Trademark Attorneys [1]	31 January 2017	143,248	705
Dividend reinvestment - interim dividend	15 March 2017	113,155	517
Retention rights exercised	13 June 2017	4,301	-
Balance at 30 June 2017		**191,688,526**	**233,598**
Retention rights exercised	11 July 2017	57,519	-
Dividend reinvestment - final dividend	13 September 2017	550,929	2,479
Performance rights issued	19 October 2017	310,128	-
Acquisition of AJ Park Ltd	31 October 2017	4,621,547	27,036
Retention rights exercised	22 November 2017	47,619	-
Balance at 31 December 2017		**197,276,268**	**263,113**

1. Final Settlement

Ordinary shares

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

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

Employee Share Trust

On 1 July 2017, IPH established the Employee Share Trust for the purpose of acquiring and allocating shares granted through the IPH Employee Incentive Plan. As at 31 December 2017, the number of shares held by the trust was 88,350.

Note 8. Equity - dividends

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

		Consolidated	
	Cents per share	**31 Dec 2017 $'000**	**31 Dec 2016 $'000**
Final dividend			
June 2016 - paid 14 September 2016	10.0	-	18,894
June 2017 - paid 13 September 2017	10.5	20,134	-

On 15 February 2018, the Company declared an interim dividend of 11.5 cents per share (franked at 4.6 cents) to be paid on 14 March 2018. The dividend value is $22,687,000. No provision for this dividend has been recognised in the Statement of Financial Position as at 31 December 2017, as it was declared after the end of the financial period.

Dividend Reinvestment Plan
The Dividend Reinvestment Plan was active for the final dividend paid on 13 September 2017. 550,929 shares were issued to participants at $4.50 per share totalling $2,479,181.

Note 9. Earnings per share

	Consolidated	
	31 Dec 2017 $'000	**31 Dec 2016 $'000**
Profit after income tax	19,739	22,134
Profit after income tax attributable to the owners of IPH Limited	**19,739**	**22,134**
	Number	**Number**
Basic earnings per share - Weighted average number of ordinary shares	195,429,220	190,303,665
Options over ordinary shares	909,692	1,436,376
Diluted earnings per share - Weighted average number of ordinary shares	196,342,454	191,740,041
	Cents	**Cents**
Basic earnings per share	10.10	11.63
Diluted earnings per share	10.05	11.54

Note 10. Events Subsequent to Reporting Date

On 6 February 2018 it was announced that two subsidiaries, Fisher Adams Kelly Callinan and Cullens will merge with Spruson and Ferguson Australia. The merger is expected to be concluded by early in financial year 2019.

Note 11. Business combinations

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 agreed purchase price was NZ$66,100,000 (A$60,500,000). The consideration is settled by way of issue of 4,621,547 IPH shares at an issue price of $4.61 and cash of NZ$36,214,635.

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

The acquired business contributed revenues of A$9,010,000 and profit after tax of A$46,000 to the Group for the period from 1 November 2017 to 31 December 2017. If the acquisition occurred on 1 July 2017, the full half year contributions would have been revenues of $23,300,000 and profit after tax of $1,430,000.

Consideration transferred

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

	A$'000
Cash	38,890
Equity instruments (4,621,547 ordinary shares)	27,036
Total consideration transferred	**65,926**

The Group incurred acquisition related costs of $644k. These costs have been included in business acquisition expenses.

Equity instruments issued

A$21,305,315 of the purchase price was settled by way of the issue of 4,621,547 ordinary shares in IPH to the vendors of AJ Park IP Limited at an issue price of $4.61 per share. The shares issued have been recorded in the financial statements at the acquisition date fair value of $5.85 per share totalling $27,036,052.

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	269
Trade and other receivables	10,652
Other assets	1,047
Property, plant and equipment	2,664
Intangible assets - customer relationships	20,313
Intangible assets - trademarks	2,866
Deferred tax liabilities	(6,490)
Trade and other payables	(3,407)
Provisions	(1,399)
Other creditors	(889)
Net assets acquired	25,626
Goodwill	40,300
Acquisition-date fair value of total consideration transferred	**65,926**
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of total consideration transferred	65,926
Less: shares issued by company as part of consideration	(27,036)
Less: cash and cash equivalents acquired	(269)
Net cash used	**38,621**

The goodwill is attributable to the profitability of AJ Park and its standing as the market leading Intellectual Property firm in New Zealand.

IPH LIMITED
ABN 49 169 015 838
DIRECTORS DECLARATION

The Directors declare that:

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

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

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

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

Andrew Blattman
Managing Director
15 February 2018
Sydney

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of IPH Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, and the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 22.

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 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of IPH Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 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

H Fortescue
Partner
Chartered Accountants
Sydney, 15 February 2018