IPH Limited

ABN 49 169 015 838

Appendix 4E – Preliminary Final Report
Full year ended 30 June 2018 ("FY18")

Reporting periods

Current reporting period:	Financial year ended 30 June 2018
Previous corresponding period:	Financial year ended 30 June 2017

Results for announcement to the market		Change		FY18 $'000	FY17 $'000
Revenue from ordinary activities	Up	21.9%	to	221,956	182,041
Profit from ordinary activities after tax attributable to members	Down	5.2%	to	40,673	42,893
Profit for the period attributable to members	Down	5.2%	to	40,673	42,893

Dividends	Amount per Share	Franked amount per Share
Current period		
Final dividend	11.0c	5.5c
Interim dividend	11.5c	4.6 c
Previous period		
Final dividend	10.5c	10.5c
Interim dividend	11.5c	11.5c

Final Dividend sourced from Conduit Foreign Income 5.5c

Record date: Wednesday 22 August 2018

Payment date: Wednesday 12 September 2018

Ex-dividend date: Tuesday 21 August 2018

The Dividend Reinvestment will not be in operation for the FY18 full year dividend

Net tangible assets	FY18	FY17
Net tangible asset backing per share	$0.09	$0.11

Audit review status

Details of audit/review dispute or qualification (if any):

The accounts have been audited with no qualification.

Attachments

Details of attachments (if any):

The remainder of the information requiring disclosure to comply with listing rule 4.3A is contained in the accompanying FY18 Financial Report.

Signed

JR Wadley

John Wadley
Chief Financial Officer
Sydney

Date: 16 August 2018

IPH LIMITED

IPH Limited and its Controlled Entities

Annual Financial Report

For the year ended 30th June 2018

Corporate Directory

Directors	Mr Richard Grellman AM - Chairman Dr Andrew Blattman Mr John Atkin Ms Robin Low
Company secretary	Mr Philip Heuzenroeder
Notice of annual general meeting	The details of the annual general meeting of IPH Limited are: Friday 23 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 13 50 Carrington 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 was approved by the Board of Directors on 16 October 2017 and can be found at www.iphltd.com.au

The Directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Group') consisting of IPH Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

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

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

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

1. Directors

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

Name	Office
Mr Richard Grellman, AM	Non-executive Chairman
Dr Andrew Blattman	Managing Director and Chief Executive Officer (appointed 20th November 2017)
Mr John Atkin	Non-executive Director
Ms Robin Low	Non-executive Director
Mr David Griffith	Managing Director and Chief Executive Officer (resigned 20th November 2017)
Dr Sally Pitkin	Non-executive Director (resigned 20th November 2017)

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 Chairman of Fastbrick Robotics Ltd (2018) and is also a Director of Bisalloy Steel Group Limited (2003) and the National Health and Medical Research Council Institute for Dementia Research (2015).
Former directorships (last 3 years)	Chairman of Crowe Horwath Australasia Limited (2011 - 2015), Chairman of Genworth Mortgage Insurance Limited (2012-2016), Chairman of the AMP Foundation (2012 – 2018)
Interests in shares:	71,449
Special responsibilities:	Chairman. Member – Audit Committee, Risk Committee, Nomination and Remuneration Committee

Name:	Dr Andrew Blattman
Title:	Managing Director and Chief Executive Officer
Qualifications:	BScAgr (Hons 1), PhD, GraDipIP
Experience and expertise:	Dr Andrew Blattman was appointed as Managing Director & Chief Executive Officer of IPH Limited in November 2017. Andrew has more than 20 years' experience in the intellectual property profession. Previously he was CEO of Spruson & Ferguson, a leading intellectual property (IP) firm in the Asia-Pacific region and 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:	4,506,166
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)
Experience and expertise:	John is a former Chief Executive Officer and Managing Director of The Trust Company Limited (2009 - 2013). 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:	Integral Diagnostics Limited (2015), The Australian Outward Bound Foundation (2007) and the State Library of NSW Foundation (2013), Commonwealth Bank SuperFund (2017) and Outward Bound International Inc (2017).
Former directorships (last 3 years)	Managing Director of The Trust Company Limited (2009 - 2013), 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

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:	AUB Group Limited (2014), CSG Limited (2014), Appen Limited (2014), Sydney Medical School Foundation (2012), Auditing and Assurance Standards Board (2013), Primary Ethics (2011), Public Education Foundation (2010), Australian Reinsurance Pool Corporation (2017) and Gordian Runoff Limited/Enstar Australia Holdings Pty Limited (part of the NASDAQ listed Enstar Group) (2017).
Interests in shares:	74,214
Special responsibilities:	Chairman - Audit Committee, Risk Committee. Member - 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.

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 2018, 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	4	4	-	-	-	-	-	-
John Atkin	9	9	3	3	5	5	4	4
Robin Low	9	9	3	3	5	5	4	4
David Griffith	5	5	-	-	-	-	-	-
Sally Pitkin	5	5	1	1	2	2	2	2

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 20 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 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 FY18 underlying earnings of the Group have been determined by adjusting statutory earnings amounts to eliminate the effect of business acquisition adjustments, business acquisition costs, restructuring costs, new business establishment costs and non-cash share based payments expenses.

Revenue has grown by $40.0M to $226.0M, up by 21.5%, driven by organic growth and the impact of the acquisition of AJ Park and offset by the impact of a stronger Australian dollar than in the comparative period.

Statutory EBITDA increased by $1.4M to $70.1M, up from $68.7M in FY17. Underlying EBITDA of $74.0M has increased by 3.3% from the prior corresponding period.

The Group achieved a statutory net profit after tax of $40.7M down 5.2% from $42.9M in FY17. Underlying net profit after tax of $51.9M is a 1.4% improvement over the prior period.

	Revenue FY18	Revenue FY17	Chg%	EBITDA FY18	EBITDA FY17	Chg%
Australia & New Zealand IP	155,367	123,162	26.1%	54,147	50,575	7.1%
Asian IP	77,968	68,622	13.6%	31,146	29,579	5.3%
	233,335	191,784	21.7%	85,293	80,154	6.4%
Data and Analytics Software	1,212	743		(2,709)	(2,503)	
Corporate Office	(1,209)	(218)		(8,367)	(5,616)	
Eliminations	(7,312)	(6,277)		(213)	(409)	
Underlying Revenue / EBITDA	**226,026**	**186,032**	21.5%	**74,004**	**71,626**	3.3%
Business acquisition costs				(982)	(2,617)	
Business combination adjustments				642	1,181	
New business establishment costs				(786)	(207)	
Restructuring expenses				(2,134)	-	
Share based payments				(676)	(1,325)	
Statutory Revenue / EBITDA	**226,026**	**186,032**	21.5%	**70,068**	**68,658**	2.1%
Interest Income				29	113	
Interest Expense				(1,537)	(1,241)	
Depreciation and amortisation				(13,092)	(10,329)	
Impairment of intangible assets				(2,148)	-	
Net Profit Before Tax				53,320	57,201	(6.8%)
Tax				(12,647)	(14,308)	
Net Profit After Tax				**40,673**	**42,893**	(5.2%)

Australia and New Zealand IP

The ANZ IP segment achieved sales revenue growth of 26.1% to $155.4M of which $33.7M was attributable to the AJ Park acquisition.

The Group has maintained its number one patent market share position (all patent applications filed in Australia) for the year. While the overall market is flat (in terms of number of patent filings) year on year, the second half displayed growth (1.6%) in line with the medium-term trend of 1.5%. The IPH Group outperformed the market for both the year (1.7%) and the second half (5.2%) in terms of its filing growth.

Underlying EBITDA was up by 7% to $54.1M at a margin of 35% (2017: 41%). On 30 June 2018 FAKC and Cullens were merged with Spruson & Ferguson Australia. 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.

Asian IP

The Asian IP segment achieved sales revenue growth of 15% to $77.8M which includes a full year contribution of the Ella Cheong acquisition. Underlying EBITDA was up by $1.5M, or 5%.

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

It was announced on 15 August 2018 that IPH's wholly-owned subsidiary, Practice Insight Pty Limited, has agreed the sale of two of its products: Filing Analytics and Citation Eagle to CPA Global Management Services Limited for $10 million. The sale will generate an accounting profit in the consolidated accounts of IPH Limited of approximately $2 million in the 2019 financial year after taking into account the assets' carrying values and transaction costs. Proceeds from the sale will be used to pay down existing debt.

The remaining Data and Analytics Software business will focus on the final development and sales of its autonomous time keeping platform "WiseTime".

It is expected that the transaction will reduce EBITDA losses in the Data and Analytics Software segment by approximately $1 million in FY19.

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**
FY16	0.7426	0.7286	0.6699	0.6564	1.0027	1.0122
FY17	0.7692	0.7545	0.6730	0.6919	1.0598	1.0505
Movement		(3.5%)		(5.4%)		(3.8)%
FY18	0.7407	0.7754	0.6420	0.6498	1.0095	1.0404
Movement		(2.8%)		6.1%		1.0%

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 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. In the current year these predominately relate to the acquisition of AJ Park.
- **Business combination adjustments** – the P&L impact of the revaluation of shares issued on acquisition and arises primarily on movements in the share price between the completion date of the transaction and the final settlement. This is a non-cash item.
- **New business establishment costs** – in the current year relates predominately to the establishment of an exclusive arrangement with an independent Chinese patent agency late in FY18 for the conduct of regulated patent services.
- **Restructuring expenses** – costs of restructuring across the Group. In the current year these predominately relate to two projects: the merger of Cullens and Fisher Adams Kelly Callinans into Spruson & Ferguson; and the restructuring of certain aspects of the AJ Park business post acquisition.
- **Share based payments** – accounting charges for the share-based incentive plans.

4.2 Statement of Financial Position

$'m	Balance Sheet as at 30 Jun 2018	Balance Sheet as at 30 Jun 2017
Cash and cash equivalents	26.2	24.4
Trade and other receivables	57.1	38.0
Other current assets	5.3	3.4
Total current assets	**88.6**	**65.8**
PP&E	6.2	3.0
Acquisition intangibles & goodwill	266.3	212.9
Other	0.2	0.2
Deferred tax asset	6.6	5.1
Total assets	**367.9**	**287.0**
Trade and other payables	16.7	11.2
Tax provisions	6.3	6.9
Borrowings	40.1	-
Deferred tax liability	22.9	18.7
Other liabilities	14.3	10.5
Total liabilities	**100.3**	**47.3**
Net assets	**267.6**	**239.7**
Equity		
Issued capital	262.8	233.6
Reserves	(11.5)	(12.3)
Retained profits	16.3	18.4
Total equity	**267.6**	**239.7**

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 $46.5m.
- 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 2018 the cash balance was denominated in AUD (26%), USD (42%) and other (32%).

Trade and other receivables

- The increase in the trade receivables balance is a combination of the acquisition of AJ Park ($10m) as well as the impact of revaluing foreign denominated balances. As at 30 June 2018 the trade receivables balance was denominated in AUD (22%), USD (54%) and other (24%).
- The instance of bad debts remains low with $0.4m written off during the course of the year.

Acquisition intangibles & goodwill

- The increase in intangible assets arises from the acquisition of AJ Park ($63.8m), comprising customer relationships ($20.3m), trademarks ($2.9m) and goodwill ($40.6m).
- Identifiable intangible assets (at cost) consist of customer relationships $90.9m, trademarks $4.3m and software of $3.8m.
- As a result of the merger of Cullens and Fisher Adams Kelly Callinans into Spruson & Ferguson during the year, the value ($1.5m net of the reversal of the related deferred tax liability) of the Cullens and FAKC trademarks was written off.
- Goodwill recognised on acquisitions is $185.2m.

Liabilities

- Trade and other payables increased by $5.5m including $3.4m resulting from the acquisition of AJ Park.
- The deferred tax liabilities related to the identifiable intangible assets on acquisitions and have increased with the acquisition of AJ Park ($6.5m) offset by the writeoff of the balance related to the FAKC and Cullens trademarks ($0.6m).

Borrowings

- The acquisition of AJ Park was partly funded by the drawdown of USD26m (AUD35.1m as at 30 June 2018) in debt. In addition, the company has at its disposal a $40m facility to fund a share buy-back, of which $5m is drawn at 30 June 2018.

Equity

- The increase in issued capital predominately arises on the equity component of the AJ Park acquisition mentioned below.
- On 23 May 2018 the Company commenced an on-market share buy-back program of its ordinary shares of up to $40m. As at 30 June 2018, 621,816 shares had been acquired at a combined value of $2.7m.

Acquisitions

On 11 October 2017 IPH announced it had reached agreement to acquire the New Zealand intellectual property firm AJ Park by an acquisition of its patent attorney business, the benefit of its trade mark and legal businesses, and its associated Australian operations. AJ Park is the premier New Zealand IP firm operating from offices in Auckland and Wellington. AJ Park become the first New Zealand IP firm to join a publicly listed IP group.

The purchase consideration for the acquisition was NZD$66.1m (approximately A$60.5m) of which $38.9m was paid in cash and $21.3m in IPH shares. At the time of settlement the fair value of the equity component of settlement had risen to $27.0m.

The acquisition represented a further step in IPH’s strategy to expand its presence in secondary IP markets and, most importantly, supports IPH’s growth in Asia through extension of our Asian service offering to AJ Park’s local and international clients.

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”) with a range of products focussing on: IP data; time recording; and a document management system.

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.

IPH’s Data Services business generates revenue from the sale of its products directly or through a third party under a subscription licence model. It was announced on 15 August 2018 that the company would divest the two IP data products within its suite: Filing Analytics and Citation Eagle. The Data Services business will now primarily focus on the development of its autonomous time-keeping platform WiseTime.

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

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

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

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 initiative to integrate the Cullens and FAKC brands into Spruson & Ferguson during FY18 will better enable 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 acquisition and further 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 FY19 priorities

IPH group remains focused on maintaining and leveraging its leading position in Australia/New Zealand with continued focus on market share initiatives and achieving margin expansion in AJ Park and through the merger of FAKC and Cullens into Spruson & Ferguson.

In Asia, IPH expects to maintain its leading market share position in Singapore while seeking to expand its share in other SE Asian higher growth markets. The Group remains focused on increasing its share in the Chinese addressable market and continuing to leverage its existing network to grow internal filings and case transfers.

The sale of the Filing Analytics and Citation Eagle products will reduce EBITDA losses in the Data and Analytics Software business to approximately $1.7 million in FY19 and will enable the business to refocus on its autonomous time keeping platform WiseTime.

At a Group level, IPH will continue to focus on strategy to attract, motivate and retain key talent. We will also continue to evaluate acquisition and expansion opportunities in a strategic and measured manner.

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.

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.	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.
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

Risk	Description	Management of risk
		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.
Conflict of duties	Patent and trademark attorney 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	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

Risk	Description	Management of risk
	Conduct may affect the manner in which the Group conducts its activities.	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.
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.

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 2018 financial year.

The Company's remuneration framework has evolved as foreshadowed in last year's report. Managing the change remains a focus as each acquired business transitions from a private firm to a member of a publicly listed company. Supporting the leaders of each business as their understanding of corporate remuneration frameworks matures is a key imperative. Further evolution of the framework is anticipated to ensure ongoing alignment and engagement of our people with the Company.

Professional staff incentive plan

The Equity Incentive Plan introduced last year 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. As anticipated last year, the plan is being implemented across other business units for fiscal year 2019. 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). It is anticipated that business units operating a cash-based plan this year will transition to the corporate model in the next fiscal year.

Corporate executive remuneration

Short and long term incentive measures which were formalised last year, 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. Informed by market data, the Directors have strengthened the bonus opportunity for the CEO and CFO. These changes have taken effect from 1 July 2018.

The long term incentive is structured to align the long term interests of shareholders and executives and is pitched at the upper quartiles compared to the same peer group. Long term incentives will vest over a three year period with reference to EPS performance hurdles.

CEO transition

As foreshadowed last year, Andrew Blattman succeeded David Griffith as Managing Director and CEO in November 2017. After this initial transition period, Dr Blattman's remuneration has been reviewed as of 1 July 2018.

As the Company continues to evolve as a corporate entity, we will continue to review the remuneration framework for all executives and professional staff, including KMP, to ensure its continued 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 continued support and welcome your feedback on our remuneration report.

Yours sincerely,

John Atkin
Nomination and Remuneration Committee Chair

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 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.

The table below lists consultants who were retained during the year. All consultants are independent and were engaged solely on the basis of their competency in the relevant field.

Advisor	Services Provided
EY	Calculation of the fair value of retention rights and performance rights granted under the Long Term Incentive Plan and Retention Rights Plan published on the ASX on 17 November 2014 and subsequently replaced by the IPH Limited Employee Incentive Plan, approved by shareholders at the Annual General Meeting held on 16 November 2016, for the purpose of calculating the value of share based remuneration.
Orient Capital	Calculation of the total shareholder return achieved by IPH Limited compared to the S&P/ASX 300 Index, for the purpose of determining whether long term incentive criteria have been met.

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 FY18 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, superannuation 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.

Short and long term incentives were introduced this year to strengthen alignment with overall performance of the Group and provide a more complete and market-comparable remuneration package. In this first year, the short term incentive was modestly set at 20% for the CEO and 10% for other executives, with a stronger focus alignment through the long term incentives at 100% for the CEO and 50% for other executives. 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 2018 Plan are:

- Minimum EPS Target – 7% CAGR in EPS over the three year Performance Period ending on 30 June 2020, and
- EPS Target – 15% CAGR in EPS over the three year Performance Period ending on 30 June 2020,

The table below outlines how Performance Rights issued in 2018 will vest based on the Company's EPS performance over the Performance Period (measured by calculating the CAGR between EPS for FY17 and EPS for FY20).

EPS in FY20	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 2018 the Board did not regard the overall performance of the Group to be at a level that justified the payment of any performance bonus or STI to KMP. Accordingly, none were paid.

The company's performance and the consequences on shareholders financial wealth in the last 4 financial years is summarised below:

	2015	2016	2017	2018
NPAT ('000)	30,589	38,843	42,893	40,673
EPS (cents per share)	19.51	21.92	22.46	20.79
Dividends Paid ('000)	5,514	36,837	40,924	42,823
Total Dividends (cents per share)	3.5	21.0	22.0	22.5
Share Price (30 June closing price)	$4.70	$6.42	$4.80	$4.45
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 2018 are summarised as follows:

Name - Position	FY 2018 Fees
Richard Grellman AM - Chairman	220,000
John Atkin - Director	115,000
Robin Low - Director	115,000
Sally Pitkin – Director[1]	35,000
	585,000

1. Fees paid to the time of resignation on 20th November 2017

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.

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 (from 20 November 2017)
- David Griffith – Managing Director and Chief Executive Officer (from 1 July 2017 to 20 November 2017)
- John Atkin – Non-executive Director
- Robin Low – Non-executive Director
- Sally Pitkin – Non-executive Director (from 1 July 2017 to 20 November 2017)

And the following persons:

- John Wadley – Chief Financial Officer
- Andrew Blattman – Chief Executive Officer, Spruson & Ferguson Pty Limited (from 1 July 2017 to 19 November 2017)
- Kristian Robinson – Managing Director, Spruson & Ferguson Asia Pte Limited (ceased to be a KMP on 20 November 2017)

		Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
		Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Employee Leave[1] $	Equity-settled $	Total $
Non-Executive Directors:								
Richard Grellman	**2018**	**203,444**	**-**	**-**	**16,556**	**-**	**-**	**220,000**
	2017	177,854	-	-	12,146	-	-	190,000
John Atkin	**2018**	**105,023**	**-**	**-**	**9,977**	**-**	**-**	**115,000**
	2017	82,192	-	-	7,808	-	-	90,000
Robin Low	**2018**	**105,023**	**-**	**-**	**9,977**	**-**	**-**	**115,000**
	2017	82,192	-	-	7,808	-	-	90,000
Sally Pitkin[2]	**2018**	**31,962**	**-**	**-**	**3,038**	**-**	**-**	**35,000**
	2017	82,192	-	-	7,808	-	-	90,000
Executive Directors:								
Andrew Blattman[3]	**2018**	**729,946**	**-**	**-**	**25,155**	**12,281**	**242,427**	**1,009,809**
	2017	480,693	-	-	19,615	7,679	-	507,987
David Griffith[4]	**2018**	**282,908**	**-**	**-**	**7,763**	**4,812**	**-**	**295,483**
	2017	730,690	-	-	19,615	12,281	-	762,586
Other Key Management Personnel:								
John Wadley[5]	**2018**	**435,737**	**-**	**-**	**20,618**	**-**	**72,728**	**529,083**
	2017	278,419	50,000	-	16,861	-	-	345,280
Former Key Management Personnel:								
Kristian Robinson[6]	**2018**	**148,684[7]**	**-**	**-**	**11,513[7]**	**2,386**	**16,921**	**179,504**
	2017	393,327[7]	-	-	11,652[7]	6,140	-	411,119

1. *Employee Leave balances represent long service leave accrued during the year.*
2. *Sally Pitkin ceased to be a Non-Executive Director on 20 November 2017. Balances represent remuneration to this date.*
3. *Andrew Blattman became an Executive Director on 20 November 2017. Balances represent remuneration for the full year.*
4. *David Griffith ceased to be an Executive Director on 20 November 2017. Balances represent remuneration to this date.*
5. *John Wadley became a KMP on 1 September 2016. Balances represent remuneration from this date.*
6. *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.*
7. *Remuneration received in Singapore Dollars. Translated at the average exchange rate for the period to Nov 17 of S$1.0631 (2017 – Full Year: S$1.0505)*

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:

David Griffith, Managing Director and Chief Executive Officer during the period 1 July 2017 to 20 November 2017.

- Agreement concluded 20 November 2017.
- Remuneration package (inclusive of superannuation) for the period ended 20 November 2017 of $750,000 (annualised).

Andrew Blattman, Managing Director and Chief Executive Officer for the period 20 November 2017 to 30 June 2018.

- New employment agreement commenced 20 November 2017.
- Remuneration package (inclusive of superannuation) for the period ended 30 June 2018 of $750,000. Annual superior performance bonus of up to 20% of remuneration and a long term incentive opportunity of 100% of remuneration.
- Remuneration package (inclusive of superannuation) for the year ending 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 2018 of $450,000. Annual superior performance bonus of up to 10% of remuneration and a long term incentive opportunity of 50% of remuneration.
- Remuneration package (inclusive of superannuation) for the year ending 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.

As announced last year, David Griffith retired as CEO in November 2017 and Andrew Blattman assumed that position and is employed by IPH Limited under an employment contract with an indefinite term.

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 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.*

30 June 2017	Balance at the start of the year	Additions	Disposals	Balance at the end of the year
Ordinary shares				
Richard Grellman	54,712	12,874	-	67,586
Andrew Blattman	6,006,166	-	(1,500,000)	4,506,166
John Atkin	97,292	-	-	97,292
Robin Low	60,039	5,765	-	65,804
John Wadley	-	379	-	379
Sally Pitkin	52,519	1,322	-	53,841
David Griffith	6,098,766	-	(3,500,001)	2,598,765
Kristian Robinson	3,938,991	-	(2,900,000)	1,038,991
Malcolm Mitchell[1]	10,000	-	(10,000)	-
	16,318,485	**20,340**	**(7,910,001)**	**8,428,824**

1. *Malcolm Mitchell ceased to be a KMP on 1 September 2016. 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 in the year ended 30 June 2018 is set out below:

30 June 2018	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	Nov-17	Sep-20	156,780	4.91	769,790	242,427	-	-
John Wadley	2018	Nov-17	Sep-20	47,034	4.91	230,937	72,728	-	-
				203,814		**1,000,727**	**315,155**		

1. *Performance Period for the 2018 Plan is from 1 July 2018 to 30 June 2020.*

This concludes the remuneration report, which has been audited.

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	509,533	Ordinary	0.00	Up to April 2022
IPH Limited	Retention	173,688	Ordinary	0.00	Up to June 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 10.5 cents per share for the year ended 30 June 2017, paid on 13 September 2017. (100% franked)	20,133
Interim dividend of 11.5 cents per share for the year ended 30 June 2018, paid on 14 March 2018. (40% franked)	22,687

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

It was announced on 15 August 2018 that IPH's wholly-owned subsidiary, Practice Insight Pty Limited, has agreed the sale of two of its products: Filing Analytics and Citation Eagle to CPA Global Management Services Limited for $10 million. The sale will generate an accounting profit in the consolidated accounts of IPH Limited of approximately $2 million in the 2019 financial year after taking into account the assets' carrying values and transaction costs.

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.

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

16 August 2018
Sydney

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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225 George Street
Sydney NSW 2000

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

16 August 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 audit of the financial report of IPH Limited for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

IPH LIMITED

ABN 49 169 015 838

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Consolidated	
	Note	**30 June 2018**	**30 June 2017**
		$'000	**$'000**
Revenue	5	221,956	182,041
Other income	6	4,100	4,104
Expenses			
Employee benefits expense		(65,282)	(49,055)
Depreciation and amortisation expenses	7	(13,092)	(10,329)
Rental expenses	7	(8,511)	(5,420)
Business acquisition costs		(1,158)	(1,574)
Agent fee expenses		(65,983)	(51,033)
Insurance expenses		(1,010)	(657)
Travel expenses		(1,992)	(1,466)
Other expenses	7	(14,171)	(8,169)
Finance costs	7	(1,537)	(1,241)
Profit before income tax expense		**53,320**	**57,201**
Income tax expense	8	(12,647)	(14,308)
Profit after income tax expense for the year		**40,673**	**42,893**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		167	(438)
Other comprehensive income for the year, net of tax		167	(438)
Total comprehensive income for the year		**40,840**	**42,455**
Profit for the year is attributable to:			
Owners of IPH Limited		40,673	42,893
		40,673	**42,893**
Total comprehensive income for the year is attributable to:			
Owners of IPH Limited		40,840	42,455
		40,840	**42,455**
Earnings per share			
From continuing operations			
Basic earnings (cents per share)	36	20.79	22.46
Diluted earnings (cents per share)	36	20.69	22.33

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

IPH LIMITED

ABN 49 169 015 838

STATEMENT OF FINANCIAL POSITION

	Note	Consolidated 30 June 2018 $'000	Consolidated 30 June 2017 $'000
Current assets			
Cash and cash equivalents	9	26,213	24,398
Trade and other receivables	10	57,112	38,020
Other	11	5,342	3,426
Total current assets		**88,667**	**65,844**
Non-current assets			
Available-for-sale financial assets	12	180	180
Property, plant and equipment	13	6,183	3,004
Intangibles	14	266,303	212,926
Deferred tax	15	6,557	5,077
Total non-current assets		**279,223**	**221,187**
Total assets		**367,890**	**287,031**
Current liabilities			
Trade and other payables	16	16,722	11,244
Income tax payable		6,316	6,903
Provisions	17	8,052	6,271
Other financial liabilities	18	402	1,570
Deferred revenue		1,106	1,029
Total current liabilities		**32,598**	**27,017**
Non-current liabilities			
Borrowings	19	40,102	-
Deferred tax	15	22,931	18,715
Provisions and other financial liabilities	20	4,671	1,605
Total non-current liabilities		**67,704**	**20,320**
Total liabilities		**100,302**	**47,337**
Net assets		**267,588**	**239,694**
Equity			
Issued capital	21	262,763	233,598
Reserves	22	(11,461)	(12,340)
Retained profits	23	16,286	18,436
Total equity attributable to owners of IPH Limited		**267,588**	**239,694**

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

IPH LIMITED

ABN 49 169 015 838

STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Foreign Currency Translation Reserve	Minority Interest Reserve	Equity Settled Employee Benefits Reserve	Retained Profits	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2016	**218,583**	**272**	**(14,850)**	**1,340**	**16,467**	**221,812**
Profit after income tax expense for the year	-	-	-	-	42,893	42,893
Effect of foreign exchange differences	-	(438)	-	-	-	(438)
Total comprehensive income for the year	**-**	**(438)**	**-**	**-**	**42,893**	**42,455**
Transactions with owners in their capacity as owners:						
Issue of ordinary shares as consideration for a business combination, net of transaction costs (note 32)	14,498	-	-	-	-	14,498
Dividend Reinvestment plan	517					517
Share-based payments	-	-	-	1,336	-	1,336
Dividends paid (note 24)	-	-	-	-	(40,924)	(40,924)
Balance at 30 June 2017	**233,598**	**(166)**	**(14,850)**	**2,676**	**18,436**	**239,694**
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 (note 32)	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**

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

IPH LIMITED

ABN 49 169 015 838

STATEMENT OF CASHFLOWS

	Note	Consolidated 30 June 2018 $'000	Consolidated 30 June 2017 $'000
Cash flows from operating activities			
Receipts from customers		240,447	205,480
Payments to suppliers and employees		(175,495)	(136,759)
Interest received	6	29	113
Interest and other finance costs paid	7	(1,537)	(1,241)
Income taxes paid		(16,987)	(17,671)
Net cash from operating activities	35	**46,457**	**49,922**
Cash flows from investing activities			
Payments for purchase of subsidiaries, net of cash acquired	32	(38,621)	(39,088)
Payments for property, plant and equipment	13	(745)	(619)
Payments for internally developed software	14	(3,269)	(2,670)
Net cash used in investing activities		**(42,635)**	**(42,377)**
Cash flows from financing activities			
Share buy back	21	(2,727)	-
Dividends paid	24	(37,967)	(40,407)
Proceeds of borrowings		46,023	-
Repayment of borrowings		(7,000)	-
Net cash used in financing activities		**(1,671)**	**(40,407)**
Net increase/(decrease) in cash and cash equivalents		2,151	(32,862)
Cash and cash equivalents at the beginning of the financial year		24,398	58,761
Effects of exchange rate changes on cash and cash equivalents		(336)	(1,501)
Cash and cash equivalents at the end of the financial year	**9**	**26,213**	**24,398**

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

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 16 August 2018.

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 Australian Accounting Standards Board ('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.

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.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably.

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).

Work in progress

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

Disbursements recoverable

Recoverable client disbursements recorded in work in progress 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 being 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.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the Statement of 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.

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, less any provision for impairment.

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.

Financial instruments

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.

Available-for-sale financial assets
Available for sale financial assets include any financial assets not included in the above categories and are measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit and loss.

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

Where such objective evidence exists, the company 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 twelve months after the reporting period.

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.

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.

Trademarks

Trademarks 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 4 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.

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.

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.

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 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.

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.

New Accounting Standards and Interpretations not yet mandatory or early 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 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 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's assessment of the requirements of AASB 9 has concluded that at transition the Group will not be materially impacted upon adoption and no transition adjustment is required

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 has distinct revenue streams over the life of the Intellectual Property application process. The Group's assessment of these revenue streams has concluded that at transition the Group will not be materially impacted upon adoption and no transition adjustment is required. The application of the requirements of AASB 15 are consistent with the Group's existing accounting policies.

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 for leases of low value assets and leases with a term of 12 months or less.

The Group expects to adopt the standard from 1 July 2019 and the primary impact from adoption will be the treatment of premises and leased office equipment across the Group. The adoption of the standard will increase net current assets and lease liabilities due to the recognition of the lease liability and right of use asset; expense relating to minimum lease payments will reduce and there will be an increase in interest expense. The quantum of these changes is currently being determined. The most significant impact will be the present value of the operating lease commitments in note 29.

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.

Business combinations

The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported. Acquisitions of $60.5m (2017: $28.9m) were made during the year (note 32).

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 earnings 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.

Note 4. Operating Segments

Consolidated	Intellectual Property Services				Data and Analytics Software		Corporate		Intersegment eliminations / unallocated		Total	
	Australia & NZ[1]		Asia									
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue												
Sales to external customers	146,655	116,002	75,301	66,039	-	-	-	-	-	-	221,956	182,041
Intersegment sales	802	362	2,539	1,739	-	-	-	-	(3,341)	(2,101)	-	-
Total sales revenue	147,457	116,364	77,840	67,778	-	-	-	-	(3,341)	(2,101)	221,956	182,041
Other revenue	7,910	6,798	128	844	1,212	743	(1,209)	(218)	(3,971)	(4,176)	4,070	3,991
Total revenue	**155,367**	**123,162**	**77,968**	**68,622**	**1,212**	**743**	**(1,209)**	**(218)**	**(7,312)**	**(6,277)**	**226,026**	**186,032**
Less: Overheads	(101,220)	(72,587)	(46,822)	(39,043)	(3,921)	(3,246)	(7,158)	(5,398)	7,099	5,868	(152,022)	(114,406)
Earnings before interest, tax, depreciation and amortisation (EBITDA), before adjustments	**54,147**	**50,575**	**31,146**	**29,579**	**(2,709)**	**(2,503)**	**(8,367)**	**(5,616)**	**(213)**	**(409)**	**74,004**	**71,626**
Less: Depreciation	(1,131)	(724)	(204)	(254)	(24)	(16)	(139)	(90)	-	-	(1,498)	(1,084)
Less: Amortisation	(7,716)	(6,285)	(1,005)	(608)	(1,961)	(1,548)	(934)	(823)	22	19	(11,594)	(9,245)
Less: Management Charges	3,937	-	(5,491)	-	-	-	1,554	-	-	-	-	-
Segment result: (Profit before interest, tax and adjustments)	**49,237**	**43,566**	**24,446**	**28,717**	**(4,694)**	**(4,067)**	**(7,886)**	**(6,529)**	**(191)**	**(390)**	**60,912**	**61,297**

1. Australia & New Zealand following the acquisition of AJ Park in Oct 2017

Reconciliation of segment result		
Segment result	60,912	61,297
Adjustments to statutory result:		
Business acquisition costs	(982)	(2,617)
Business acquisition adjustments	642	1,181
New business establishment costs	(786)	(207)
Restructuring expenses	(2,134)	-
Share based payments	(676)	(1,325)
Total adjustments	(3,936)	(2,968)
Interest income	29	113
Finance Costs	(1,537)	(1,241)
Impairment of intangible assets	(2,148)	-
Profit for the period before income tax expense	**53,320**	**57,201**

Reconciliation of segment revenue		
Segment revenue	**226,026**	186,032
Interest income	**29**	113
Total revenue	**226,056**	**186,145**

Note 5. Sales Revenue

	Consolidated	
	30 June 2018	30 June 2017
	$'000	$'000
Revenue from the rendering of services	221,956	182,041
	221,956	**182,041**

Note 6. Other Income

	Consolidated	
	30 June 2018	30 June 2017
	$'000	$'000
Net Realised foreign exchange (loss)/gain	(270)	1,050
Net unrealised foreign exchange gain	826	26
Other income	2,063	1,367
Commission	1,452	1,548
Interest	29	113
	4,100	**4,104**

Note 7. Expenses

Profit before income tax includes the following specific expenses:

	Consolidated	
	30 June 2018	30 June 2017
	$'000	$'000
Depreciation	1,498	1,084
Amortisation - Acquired Intangibles	9,362	7,738
Amortisation - Software Development	2,232	1,508
	13,092	10,329
Share based payments	676	1,325
Superannuation expense	3,780	3,418
Deferred acquisition and deferred settlement costs remeasurement	(642)	(1,181)
Other expenses:		
Professional fees	2,020	1,414
IT & Communication	2,471	1,728
Office Expenses	1,798	1,328
Other	5,734	3,699
Impairment of FAKC & Cullens trademarks (Note 14)	2,148	-
	14,171	8,169
Finance costs		
Interest on bank facilities - Overdraft	9	26
Interest on bank facilities - loan	754	-
Other interest expense - Facility fees	774	1,215
	1,537	**1,241**
Rental expense relating to operating leases		
Minimum lease payments	8,511	5,420

Note 8. Income Tax Expense

	Consolidated	
	30 June 2018	30 June 2017
	$'000	$'000
Income tax expense		
Current tax	16,080	16,565
Deferred tax	(3,754)	(2,984)
Under provided in prior years	321	727
Aggregate income tax expense	**12,647**	**14,308**
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 15)	(1,500)	2,062
Decrease in deferred tax liabilities (note 15)	(2,254)	985
	(3,754)	**3,047**
Reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	53,320	57,201
Tax at the statutory tax rate of 30%	15,996	17,160
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent adjustments	172	(191)
Equity settled share based payments	(905)	279
Earn-out revaluations	-	(343)
Acquisition costs	277	805
Difference in overseas tax rates	(3,146)	(3,590)
Losses not brought to account	195	35
Under / (Over) provision with respect to current tax in prior years	340	9
Other	(282)	144
Income tax expense	**12,647**	**14,308**

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	30 June 2018	30 June 2017
	$'000	$'000
Cash on hand	89	73
Cash at bank	26,124	24,325
	26,213	**24,398**

Note 10. Current assets - trade and other receivables

	Consolidated	
	30 June 2018	30 June 2017
	$'000	$'000
Trade receivables	57,930	38,759
Less: Provision for impairment of receivables	(818)	(739)
	57,112	**38,020**

Impairment of receivables
The Group has recognised a loss of $381,000 (2017: Impairment reversal of $13,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2018.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	30 June 2018	30 June 2017
	$'000	$'000
Past due more than 91 days	794	682

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

	Consolidated	
	30 June 2018	30 June 2017
	$'000	$'000
Opening balance	739	574
Additions through business combinations (note 32)	94	334
Additional provisions recognised	381	(13)
Receivables written off during the year as uncollectable	(396)	(156)
Closing balance	**818**	**739**

Past due but not impaired

Customers with receivable balances past due but without provision for impairment, amount to $19,262,000 as at 30 June 2018 (2017: $10,793,000). The Group did not consider there to be a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	30 June 2018	30 June 2017
	$'000	$'000
31 to 60 days overdue	14,913	8,297
61 to 90 days overdue	1,278	729
Past due more than 91 days	3,071	1,767
	19,262	**10,793**

Ageing has been calculated with reference to the trading terms of local clients (30 days) and international clients (90 days). The prior period disclosure has been amended to reflect this methodology.

Note 11. Current assets - other

	Consolidated	
	30 June 2018	30 June 2017
	$'000	$'000
Prepayments	1,459	1,122
Work in Progress	2,192	1,042
Other current assets	1,691	1,262
	5,342	**3,426**

Note 12. Non-Current assets - Available-For-Sale Financial Assets

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Unquoted ordinary shares - at fair value	180	180
	180	**180**

Note 13. Non-Current assets - Property, plant and equipment

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Leasehold improvements - at cost	7,355	3,143
Less: Accumulated depreciation	(3,545)	(1,533)
	3,810	**1,610**
Plant and equipment - at cost	1,258	1,076
Less: Accumulated depreciation	(984)	(784)
	274	**292**
Furniture, fixtures and fittings - at cost	3,853	1,572
Less: Accumulated depreciation	(3,024)	(1,165)
	829	**407**
Computer equipment - at cost	12,915	6,531
Less: Accumulated depreciation	(11,645)	(5,836)
	1,270	**695**
	6,183	**3,004**

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 2016	1,680	459	567	1,644	4,350
Additions	40	10	114	455	619
Additions through business combinations (note 32)	2	14	3	14	33
Disposals / Transfers	96	-	(157)	(847)	(908)
Exchange differences	-	-	-	(6)	(6)
Depreciation expense	(208)	(191)	(120)	(565)	(1,084)
Balance at 30 June 2017	**1,610**	**292**	**407**	**695**	**3,004**
Additions	1,394	180	33	673	2,280
Additions through business combinations (note 32)	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**

Note 14. Non Current assets - intangibles

	Consolidated	
	30 June 2018	30 June 2017
	$'000	$'000
Goodwill - at cost	185,223	144,570
Patents and trade marks - at cost	4,237	3,519
	189,460	**148,089**
Capitalised software development - at cost	8,871	5,780
Less: Accumulated amortisation	(4,648)	(2,612)
	4,223	**3,168**
Software Acquired	3,805	3,805
Less: Accumulated amortisation	(3,015)	(2,064)
	790	**1,741**
Customer Relationships	90,950	70,637
Less: Accumulated amortisation	(19,120)	(10,709)
	71,830	**59,928**
	266,303	**212,926**

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 2016	124,156	3,511	58,685	1,111	2,693	190,156
Additions	1,100	8	-	2,662	-	3,770
Additions through business combinations	19,314	-	8,028	-	-	27,342
Disposals / Transfers	-	-	-	903	-	903
Amortisation expense	-	-	(6,785)	(1,508)	(952)	(9,245)
Balance at 30 June 2017	**144,570**	**3,519**	**59,928**	**3,168**	**1,741**	**212,926**
Additions	-	-	-	3,269	-	3,269
Additions through business combinations (note 32)	40,639	2,866	20,313	-	-	63,818
Exchange differences	14	-	-	18	-	32
Impairment[1]	-	(2,148)	-	-	-	(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**

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 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 below:

	Consolidated	
	30 June 2018	30 June 2017
CGU	$'000	$'000
Spruson & Ferguson Australia	52,958	52,958
Practice Insight	3,834	3,834
Pizzeys	68,158	68,158
AJ Park[1]	40,653	-
Spruson & Ferguson (Hong Kong)	19,314	19,314
Other	306	306
Total	**185,223**	**144,570**

1. AJ Park was acquired on 31 Oct 2017 (Note 32)

Note 14. Non Current assets - intangibles (cont)

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

CGU	5 yr EBITDA CAGR		Terminal growth rates	Discount rates Pre-Tax	Discount rates Post-Tax
	2018	2017		2018 & 2017	
	%	%	%	%	%
Spruson & Ferguson Australia[1]	4.4	4.9	2.5	15	10.5
Pizzeys	6.2	6.1	2.5	15	10.5
AJ Park	6.9	5.1	2.5	15	10.5
S&F Hong Kong	18.6	17.7	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 2018, 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 would arise as a result of the following changes in assumptions:

- Holding all assumptions constant, if the forecast net 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 declined by 0.5%

In addition to the above sensitivity testing, a decline in expected revenue growth in Pizzeys of 1.2% would result in the carrying value of the Pizzeys CGU to equal the recoverable amount.

Fair value less cost to sell

The fair value less cost to sell method was used to determine the recoverable amount of the Practice Insight CGU at 30 June 2018 as an offer for sale was received post year end (Note 34). In the prior this CGU was valued using value in use calculations with the following assumptions: 5yr EBITDA CAGR 20.8%, terminal growth rate of 2.5% and discount rates of 25% and 17.5% pre-and post tax respectively

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:					
Impairment of receivables	95	(29)			66
Property, plant and equipment	(22)	157			135
Provisions	1,955	28			1,983
Accrued expenses	178	72			250
Unbilled revenue	(134)	(182)			(316)
Prepayments	(29)	25			(4)
Foreign exchange	93	(48)			45
Transaction costs	1,248	(490)			758
Leased assets	385	237			622
Software	610	365			975
Intangible assets - Customer Relationships (Note 32)	(16,965)	2,388	(6,490)		(21,067)
Intangible assets - Trademarks	(1,049)	644			(405)
Sundry	(3)	587			584
	(13,638)	**3,754**	**(6,490)**	**-**	**(16,374)**

	Consolidated 30 June 2018	Consolidated 30 June 2017
	$'000	$'000
Disclosed as:		
Deferred tax asset	6,557	5,077
Deferred tax liability	(22,931)	(18,715)
	(16,374)	**(13,638)**

Note 16. Current liabilities - trade and other payables

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Trade payables	11,104	6,705
Sundry creditors and accruals	5,618	4,539
	16,722	**11,244**

Note 17. Current liabilities - provisions

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Employee benefits	6,393	5,479
Provision for onerous lease	750	-
Lease make good	-	51
Other provisions	909	741
	8,052	**6,271**

Note 18. Current liabilities - other financial liabilities

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Lease Incentive liability	-	1,370
Preference shares	200	200
Foreign exchange derivative financial instruments	202	-
	402	**1,570**

Note 19. Borrowings

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Non Current		
Bank overdraft	-	-
Multi-option facility	40,102	-
	40,102	**-**

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, the Group amended the agreement to extend the facility to $97m 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, the Group 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 $97m to $54m.
- The maturity date was extended by three years to 1 January 2021.

On 5 June 2018, the Group amended the Agreement to include an additional $40m facility limit, 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 maturity date remains on 1 January 2021.

Assets pledged as security

The bank facility made available by ANZ 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.

Financing arrangements

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

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Total facilities		
Bank overdraft[1]	-	-
Multi-option facility[1]	94,000	97,000
Standby letter of credit facility	-	-
Bank guarantees[1]	-	-
	94,000	**97,000**
Used at the reporting date		
Bank overdraft	-	-
Multi-option facility	40,102	-
Standby letter of credit facility	-	-
Bank guarantees	5,985	2,473
	46,087	**2,473**
Unused at the reporting date		
Bank overdraft	-	-
Multi-option facility	47,913	94,527
Standby letter of credit facility	-	-
Bank guarantees	-	-
	47,913	**94,527**

1. The Multi-option facility includes facility sublimits of $7m and $2m which may be used for the issuance of bank guarantees and available overdraft respectively.

Note 20. Non-current liabilities - provisions and other financial liabilities

	Consolidated	
	30 June 2018	30 June 2017
	$'000	$'000
Employee benefits	200	278
Lease Incentive liability	4,471	1,327
	4,671	**1,605**

Note 21. Equity - issued capital

	Consolidated		Consolidated	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	Shares	Shares	$'000	$'000
Ordinary Class shares - fully paid	197,341,566	191,688,526	262,763	233,598
	197,341,566	**191,688,526**	**262,763**	**233,598**

Movements in ordinary share capital

	Date	Shares	$'000
Balance at 1 July 2016		188,883,320	218,583
Retention rights exercised	19 August 2016	42,187	-
Acquisition of Pizzeys Patent & Trademark Attorneys	31 August 2016	1,229,545	6,787
Acquisition of Cullens & Cullen Services No 1Pty Ltd	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	-
Acquisition of Callinans Patent & Trademark Attorneys	31 January 2017	143,248	705
Dividend reinvestment - interim dividend (Note 24)	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 (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**

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

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 2018, the number of shares held by the trust was 88,350.

Share buy-back

On 8 May 2018 the Group announced a buyback of up to $40m of ordinary shares. During the period to 30 June 2018 621,816 shares have been 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. The plan is suspended during the share buy-back period.

Note 22. Equity - reserves

	Consolidated	
	30 June 2018	30 June 2017
	$'000	$'000
Foreign currency reserve	1	(166)
Share-based payments reserve	3,352	2,676
Minority interest reserve	(14,814)	(14,850)
	(11,461)	**(12,340)**

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 LTIP.

Minority interest 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 2018	30 June 2017
	$'000	$'000
Retained profits at the beginning of the financial year	18,436	16,467
Profit after income tax expense for the year attributable to owners of IPH Limited	40,673	42,893
Dividends paid (note 24)	(42,823)	(40,924)
Retained profits at the end of the financial year	**16,286**	**18,436**

Note 24. Equity - dividends

	Cents per share	Consolidated 30 June 2018 $'000	30 June 2017 $'000
Interim dividend			
December 2016 - paid 15 March 2017	11.5	-	22,031
December 2017 - paid 14 March 2018	11.5	22,689	-
Final dividend			
June 2016 - paid 14 September 2016	10.0	-	18,893
June 2017 - paid 13 September 2017	10.5	20,134	-

On 16 August 2018, the Company declared an ordinary dividend of 11.00 cents per share (franked at 50%) to be paid on 12 September 2018. The dividend value is $21,708,000. No provision for this dividend has been recognised in the Statement of Financial Position as at 30 June 2018, as it was declared after the end of the financial year.

Dividend Reinvestment Plan

The Dividend Reinvestment Plan was active during the financial year. 1,234,043 shares were issued to participants totalling $4,856,000.

Franking credits

	Consolidated 30 June 2018 $'000	30 June 2017 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	1,500	3,092

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

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 2018						
Net asset exposure (Local Currency)	248,892	2,039	1,966	7,773	6,006	1,689
30 June 2017						
Net asset exposure (Local Currency)	195,890	27,942	1,603	5,349	-	336

1. Australian dollar equivalent

Note 25. Financial instruments (Cont)

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 (2017: 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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
USD	204	3,635	(185)	(3,305)
Euro	197	238	(178)	(217)
SGD	777	505	(707)	(459)
NZD	601	-	(546)	-
Other currencies	169	34	(154)	(31)
Net exposure to foreign currency risk	**1,948**	**4,412**	**(1,770)**	**(4,012)**

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 2018		30 June 2017		
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %		Balance $'000
Multi-option facility	3.85	40,102	-	-	-
Net exposure to cash flow interest rate risk		**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.

Note 25. Financial instruments (Cont)

Financing arrangements (unused)
Unused borrowing facilities at the reporting date:

	Consolidated	
	30 June 2018	30 June 2017
	$'000	$'000
Bank overdraft	-	-
Multi-option facility	47,913	94,527
Standby letter of credit facility	-	-
Bank guarantees	-	-
	47,913	**94,527**

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.

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 2018	Weighted average interest %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	11,104	-	-	-	11,104
Sundry creditors and accruals	-	5,618	-	-	-	5,618
Interest-bearing - variable						
Multi-option facility	3.85%	1,544	1,544	40,873	-	43,961
Total non-derivatives		**18,266**	**1,544**	**40,873**	**-**	**60,683**

Consolidated - 30 June 2017	Weighted average interest %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	6,705	-	-	-	6,705
Other payables and accruals	-	4,539	-	-	-	4,539
Total non-derivatives		**11,244**	**-**	**-**	**-**	**11,244**

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 below:

	Consolidated	
	30 June 2018	30 June 2017
	$	$
Short-term employee benefits	2,042,727	2,471,711
Post-employment benefits	104,597	91,661
Long-term benefits	19,479	26,100
Share-based payments	332,076	-
	2,498,879	**2,589,472**

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 2018	30 June 2017
	$	$
Audit services - Deloitte Touche Tohmatsu (Australia)		
Audit or review of the financial statements	290,500	266,850
Other assurance services	4,000	3,990
	294,500	**270,840**
Deloitte Touche Tohmatsu (Singapore)		
Audit or review of the financial statements	50,709	52,627
	50,709	**52,627**
Audit services - unrelated firms		
Audit or review of the financial statements	41,524	23,175
Other services - unrelated firms		
Corporate and taxation services	107,904	63,082
	149,428	**86,257**

Note 28. Contingent liabilities

The Group has given bank guarantees in respect of operating lease commitments for office premises as at 30 June 2018 of $5,985,000 (2017: $1,831,000).

Note 29. Commitments

	Consolidated	
	30 June 2018	30 June 2017
	$'000	$'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	7,874	5,055
One to five years	21,567	6,895
Over five years	16,355	2,475
	45,796	**14,425**

Operating lease commitments include contracted amounts for offices and plant and equipment under non-cancellable operating leases expiring within 1 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 33.

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.

Note 31. Parent entity information

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

	Parent	
	30 June 2018 $'000	**30 June 2017 $'000**
Statement of profit or loss and other comprehensive income		
Profit after income tax	61,442	31,893
Total comprehensive income	61,442	31,893
Statement of financial position		
Total current assets	31,071	14,991
Total assets	326,648	237,773
Total current liabilities	2,208	1,898
Total liabilities	42,310	1,898
Equity		
Issued capital	262,763	233,598
Share-based payments reserve	3,353	2,677
Retained earnings	18,222	(400)
	284,338	**235,875**

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

Other than the security provided for the ANZ 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 2018 apart from being party to the deed of cross guarantee as detailed in Note 38.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2018.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018.

Significant accounting policies

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

Note 32. 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 was 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 acquired business contributed revenues of A$33,700,000 and profit after tax of A$2,148,000 to the Group for the period from 1 November 2017 to 30 June 2018. The profit after tax includes a loss of A$600k relating to the AJ Park Australia business which ceased operations and costs associated with restructuring since acquisition which have been removed for the purpose of calculating the underlying result of the business. If the acquisition occurred on 1 July 2017, the full year contributions would have been revenues of A$47,990,000 and profit after tax of A$3,532,000.

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 $698k. 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	(1,739)
Other creditors	(888)
Net assets acquired	25,287
Goodwill	40,639
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.

Acquisitions undertaken in the year ended 30 June 2017

Ella Cheong (Hong Kong) Limited

On 31 October 2016, the Group acquired 100% of the ordinary shares of Ella Cheong (Hong Kong) Limited and its subsidiary Ella Cheong Intellectual Property Agency (Beijing) Company Limited under the terms of a Share Purchase Agreement (SPA).

The final accounting for the acquisition was finalised during the previous financial year. There were no acquisition adjustments recorded during the year ended 30 June 2018

Note 33. 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 2018	30 June 2017
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%
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[6]	China	Patent attorneys	0%	0%
AJ Park IP Ltd[5]	New Zealand	Patent attorneys	100%	0%
AJ Park Law Ltd[5,6]	New Zealand	Lawyers	0%	0%
AJ Park IP Pty Ltd[5]	Australia	Patent attorneys	100%	0%

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 38).

4. The Group holds 90.6% of the voting rights and thus has control of this entity.

5. These entities were acquired through the acquisition of AJ Park (Note 32).

6. These entities have Alliance Agreements with Group entities which results in consolidation in the IPH Group for Accounting purposes.

Note 34. Events after the reporting period

It was announced on 15 August 2018 that IPH's wholly-owned subsidiary, Practice Insight Pty Limited, has agreed the sale of two of its products: Filing Analytics and Citation Eagle to CPA Global Management Services Limited for $10 million. The sale will generate an accounting profit in the consolidated accounts of IPH Limited of approximately $2 million in the 2019 financial year after taking into account the assets' carrying values and transaction costs.

Note 35. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Profit after income tax expense for the year	40,673	42,893
Adjustments for:		
Depreciation and amortisation	13,092	10,329
Impairment of intangible	2,148	-
Unrealised foreign exchange	(826)	1,067
Share-based payments	676	1,332
Other	-	(1,408)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(8,416)	2,095
(Increase) in deferred tax assets	(3,753)	(3,047)
(Increase)/Decrease in other assets	(894)	768
Increase/(Decrease) in trade and other payables	1,183	(4,582)
Decrease in provision for income tax	(587)	(316)
Decrease in other liabilities	(3,190)	(218)
Increase/(Decrease) in deferred revenue	77	(166)
Increase in provisions	6,274	1,175
Net cash from operating activities	**46,457**	**49,922**

Note 36. Earnings per share

	Consolidated	
	30 June 2018 $'000	30 June 2017 $'000
Profit after income tax	40,673	42,893
Profit after income tax attributable to the owners of IPH Limited	**40,673**	**42,893**
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	195,636,068	190,953,365
Rights over ordinary shares	966,124	1,164,271
Weighted average number of ordinary shares used in calculating diluted earnings per share	196,602,192	192,117,636
	Cents	**Cents**
Basic earnings per share	20.79	22.46
Diluted earnings per share	20.69	22.33

Note 37. Share-based payments

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 twelve 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
19 Nov 2014	19 Nov 2017[1]	$0.00	47,619	-	(47,619)	-	-
16 Sept 2015	1 July 2017[2]	$0.00	57,519	-	(57,519)	-	-
16 Sept 2015	1 July 2018	$0.00	95,864	-	-	(10,652)	85,212
19 August 2016	30 June 2019	$0.00	127,930	-	-	(39,454)	88,476
Total Retention Rights			**328,932**	**-**	**(105,138)**	**(50,106)**	**173,688**

1. Share price at date of exercise $5.71

2. Share price at date of exercise $4.81

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 FY15 award, the TSR performance has exceeded the 75th percentile and the rights vested in full. For the FY16 award, the performance was below the 50th percentile and no rights will vest on 8 September 2018.

Note 37. Share-based payments (Cont)

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%

	FY15 Award (Nov 2014)	FY16 Award (Sept/Dec 15)
Minimum EPS Target	EPS in the financial year ending 30 June 2017 of 17.3 cents, being the forecast pro forma EPS of IPH for the financial year ending 30 June 2015 with a compound annual growth rate of 7% applied to it for the following two financial years.	Compound annual growth rate (CAGR) in EPS for the period from 1 July 2015 to 30 June 2018 of 7%
EPS Target	EPS in the financial year ending 30 June 2017 of 20.0 cents, being the forecast pro forma EPS of IPH for the financial year ending 30 June 2015 with a compound annual growth rate of 15% applied to it for the following two financial years.	Compound annual growth rate (CAGR) in EPS for the period from 1 July 2016 to 30 June 2018 of 15%

For the FY15 award, the EPS performance has exceeded the EPS Target and the rights vested in full. For the FY16 award, the EPS performance did not meet the EPS Target and no rights will vest on 8 September 2018.

The performance rights are subject to a vesting period from grant date and are detailed below:

Grant Date	Vesting Date	Exercise price	Balance at the start of year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
TSR - 19 Nov 14[1]	9 Sept 2017[2]	$0.00	110,889	-	(110,889)	-	-
EPS - 19 Nov 14[1]	9 Sept 2017[2]	$0.00	110,889	-	(110,889)	-	-
TSR - 16 Sept 15[3]	8 Sept 2018	$0.00	125,641	-	-	(125,641)	-
EPS - 16 Sept 15[3]	8 Sept 2018	$0.00	125,641	-	-	(125,641)	-
TSR - 2 Dec 15[3]	8 Sept 2018	$0.00	3,528	-	-	(3,528)	-
EPS - 2 Dec 15[3]	8 Sept 2018	$0.00	3,528	-	-	(3,528)	-
Total Performance Rights			**480,116**	**-**	**(221,778)**	**(258,338)**	**-**

1. These awards have achieved the maximum performance hurdles and vested 100% for both TSR and EPS at the vesting date

2. Share price at date of exercise $4.65

3. These awards did not achieve the minimum performance hurdles and will not vest for both TSR and EPS at the vesting date

IPH Limited Employee Incentive Plan

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.

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

Note 37. Share-based payments (Cont)

Movement in Performance Rights issued under the new Incentive Plan during the financial year were:

Grant Date	Final vesting date	Exercise price	Balance at the start of year	Granted	Exercised[2]	Expired/ forfeited/	Balance at the end of the year
Retention - 23 May 17	23 May 2019[1,3]	$0.00	4,770	-	(1,789)	-	2,981
Retention - 24 May 17	1 Jan 2020[1,3]	$0.00	20,000	-	(4,000)	-	16,000
Retention - 24 May 17	1 May 2020[1,3]	$0.00	21,142	-	(4,228)	-	16,914
Retention - 7 Jun 17	1 June 2020[1,3]	$0.00	21,368	-	(4,274)	-	17,094
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
KPI - 26 Jun 17	31 Aug 2017[3]	$0.00	179,743	-	(88,350)	(91,393)	-
KPI - Dec 17 & Mar 18	31 Aug 2018	$0.00	-	283,794	-	(190,275)	93,519
Retention - Feb 18	5 Feb 2021[1]	$0.00	-	4,606	-	-	4,606
Retention - May 18	9 Apr 2022[2]	$0.00	-	57,972	-	-	57,972
Total Performance Rights			**258,659**	**346,372**	**(102,641)**	**(281,668)**	**220,722**

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: $4.56 (31 Aug 17); $5.35 (1 Jan 18); $3.84 (1 May 18); $4.39 (23 May 18); $4.41 (1 Jun 18)

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 Minimum EPS Target.

EPS Targets for the 2018 plan are:
- Minimum EPS Target: 7% CAGR in EPS over the three year performance period ending on 30 June 2020;
- EPS Target: 15% CAGR in EPS over the three year performance period ending on 30 June 2020.

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 year	Granted	Exercised	Expired/ forfeited/	Balance at the end of
LTI - Nov 17	1 Sept 2020	$0.00	-	288,811	-	-	288,811
Total LTI Performance Rights			**-**	**288,811**	**-**	**-**	**288,811**

Fair value of retention and performance rights granted

The weighted average share price during the financial year was $4.49 (2017: $5.25).
The weighted average remaining contractual life of rights outstanding at the end of the financial year was 1.4 years (2017: 0.9 years).
The weighted fair value of the rights granted during the year is $4.33 (2017: $4.80).

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

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 - 19 Nov 14	9 Sept 2017	$2.10	$0.00	35.00%	6.40%	2.56%	$1.04
EPS - 19 Nov 14	9 Sept 2017	$2.10	$0.00	35.00%	6.40%	2.56%	$1.75
TSR - 16 Sept 15	8 Sept 2018	$6.12	$0.00	35.00%	3.50%	2.00%	$4.45
EPS - 16 Sept 15	8 Sept 2018	$6.12	$0.00	35.00%	3.50%	2.00%	$5.51
TSR - 2 Dec 15	8 Sept 2018	$8.20	$0.00	35.00%	3.50%	2.00%	$6.66
EPS - 2 Dec 15	8 Sept 2018	$8.20	$0.00	35.00%	3.50%	2.00%	$7.40
Retention rights							
19 Nov 2014	19 Nov 2017	$2.10	$0.00	35.00%	6.40%	2.58%	$1.73
17 Sept 2015	1 July 2017	$6.12	$0.00	35.00%	3.50%	1.93%	$5.75
17 Sept 2015	1 July 2018	$6.12	$0.00	35.00%	3.50%	1.99%	$5.55
19 August 2016[1]	30 June 2019	$5.80	$0.00		4.00%		$5.17

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

Note 37. Share-based payments (Cont)

Grant Date	Vesting Date	Share price at	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
IPH Limited Employee Incentive Plan							
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 June 2020	$4.76	$0.00	35.00%	5.40%	1.65%	$4.31
TSR - 23 May 17	1 Sept 2019	$4.81	$0.00	35.00%	5.40%	1.65%	$1.21
EPS - 23 May 17	1 Sept 2019	$4.81	$0.00	35.00%	5.40%	1.65%	$4.25
EPS - 24 May 17	1 Sept 2020	$4.86	$0.00	35.00%	5.40%	1.77%	$4.07
KPI - 26 Jun 17	31 Aug 2017	$4.83	$0.00	35.00%	5.40%	1.57%	$4.78
KPI - Dec 17	31 Aug 2018	$5.48	$0.00	32.00%	5.00%	1.66%	$5.28
KPI - Mar 18	31 Aug 2018	$3.55	$0.00	37.00%	6.30%	1.76%	$3.45
Retention - Feb 18[1,2,4]	5 Feb 2021	$3.74	$0.00		6.30%	2.00%	$3.25
Retention - May 18[2,3,4]	9 April 2022	$3.86	$0.00		6.30%	2.08%	$3.32

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

Grant Date	Vesting Date	Share price at	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
Executive - LTI							
LTI - 2018	1 Sept 2020	$5.64	$0.00	32.00%	5.00%	1.89%	$5.64

Amounts recognised in the Financial Statements

During the financial year ended 30 June 2018, an expense of $676,000 was recognised in the Statement of Profit or Loss in relation to equity settled share based payment awards. (June 2017: $1,325,000)

Note 38. Deed of cross guarantee

The members of the Group party to the deed of cross guarantee are detailed in note 33. 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 2018 $'000	30 June 2017 $'000
Revenue	113,659	116,204
Other income	36,648	24,637
Expenses		
Employee benefits expense	(35,816)	(33,592)
Depreciation and amortisation expense	(11,386)	(8,515)
Rental expenses	(4,536)	(3,388)
Business acquisition costs	(1,078)	(1,583)
Agent fee expenses	(33,923)	(35,064)
Insurance expenses	(610)	(513)
Travel expenses	(1,205)	(986)
Other expenses	(8,869)	(7,911)
Finance costs	(1,535)	(1,224)
Profit before income tax expense	**51,349**	**48,066**
Income tax expense	(7,667)	(9,985)
Profit after income tax expense for the year	**43,682**	**38,081**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	**43,682**	**38,081**
Profit for the year is attributable to:		
Owners of IPH Limited	43,682	38,080
Profit after income tax expense for the year	**43,682**	**38,080**
Total comprehensive income for the year is attributable to:		
Owners of IPH Limited	43,682	38,080
Profit after income tax expense for the year	**43,682**	**38,080**

Note 38. Deed of cross guarantee (Cont)

	30 June 2018 $'000	30 June 2017 $'000
Current assets		
Cash and cash equivalents	11,088	14,008
Trade and other receivables	37,422	22,861
Other assets	3,714	2,785
Total current assets	**52,224**	**39,654**
Non-current assets		
Property, plant and equipment	3,568	2,693
Intangibles	184,104	186,566
Investments in subsidiaries	120,754	48,064
Deferred tax	5,563	4,581
Total non-current assets	**313,989**	**241,904**
Total assets	**366,213**	**281,558**
Current liabilities		
Trade and other payables	8,202	7,611
Borrowings	5,000	-
Income tax	1,492	2,788
Provisions	6,726	6,070
Other liabilities	-	1,370
Deferred revenue	872	868
Total current liabilities	**22,292**	**18,707**
Non-current liabilities		
Borrowings	35,102	-
Provisions	4,670	1,605
Deferred tax liability	20,958	17,463
Total non-current liabilities	**60,730**	**19,068**
Total liabilities	**83,022**	**37,775**
Net assets	**283,191**	**243,783**
Equity		
Issued capital	262,748	233,582
Reserves	5,026	2,669
Retained profits	15,417	7,532
Total equity	**283,191**	**243,783**

IPH LIMITED
ABN 49 169 015 838
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 2018 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 38 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
16 August 2018
Sydney

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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 2018, 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 2018 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.

Key Audit Matter	How the scope of our audit responded to the Key Au Matter
Accounting for Acquisitions As disclosed in Note 32 'Business combinations', during the financial year the Group acquired AJ Park, a New Zealand intellectual property firm. Accounting for the transaction is a complex and judgemental exercise, requiring management to determine: ○ the fair value of the total purchase consideration; and ○ the identifiable intangible assets such as customer contracts and relationships, to be recognised separately from goodwill.	Our procedures performed in conjunction with our valuation specialists, included, but were not limited to: ○ Obtaining a detailed understanding of the terms and conditions of the purchase contract to enable us to assess management's accounting treatment. ○ Evaluating the competence, capability and objectivity of management's external valuation expert and performing a detailed review of their report to understand the scope of their engagement and any limitations in the report. ○ Evaluating the methodology used by management to ascertain the fair value of the purchase consideration at acquisition date. ○ Evaluating the appropriateness of the values attributed to the acquired intangible assets assumed as part of the acquisition: • Assessing the identification and valuation of customer relationships and the appropriateness of the amortisation rate; • Performing procedures over the intangible asset valuations, specifically: ▪ analysing cash flow assumptions including revenue growth rates, gross margin and contributory asset charges; ▪ assessing the discount rate used; and ▪ challenging the reasonableness of the valuation outputs. ○ Assessing the appropriateness of the disclosures in Note 32 to the financial statements.
Valuation and disclosure of Practice Insight As disclosed in Note 14 'Non Current assets - intangibles' and Note 34 'Events after the reporting period', subsequent to 30 June 2018 the Group have entered into an agreement for the sale of certain intangible and tangible assets (and associated liabilities) included in the Practice Insight cash generating unit ("CGU"). As a result management have utilised the agreed sale consideration for the purposes of determining the recoverable amount of this CGU (being fair value less cost to dispose) at 30 June 2018. Management have also considered the requirements of AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' ("AASB 5") in determining whether the assets and liabilities associated with the Practice Insight CGU should be disclosed as 'held for sale' at 30 June 2018 and have determined that this classification was met subsequent to the year end.	Our procedures included, but were not limited to: ○ Obtaining an understanding of the key controls associated with management's assessment of recoverable amount for the Practice Insight CGU. ○ Reviewing the signed agreement and relevant terms of the sale. ○ Reviewing management's determination of the fair value less costs to dispose for the Practice Insight CGU and the appropriateness of this in light of the terms of the sale. ○ Reviewing supporting documentation including minutes of Board meetings and signed Heads of Agreement to assess management's conclusion that the 'held for sale' criteria in AASB 5 were met subsequent to 30 June 2018. ○ Evaluating the appropriateness of the disclosures in Note 14 and Note 34 to the financial statements.

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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 Chairman's Letter, Chief Executive Officer's Report, Board of Directors, and Shareholders 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 Chairman's Letter, Chief Executive Officer's Report, Board of Directors and Shareholders 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.

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

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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.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 25 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of IPH Limited for the year ended 30 June 2018, 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

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H Fortescue
Partner
Chartered Accountants
Sydney, 16 August 2018