

# IPH Limited

ABN 49 169 015 838

## Appendix 4E – Preliminary Final Report Full year ended 30 June 2019 (“FY19”)

### Reporting periods

Current reporting period: Financial year ended 30 June 2019  
Previous corresponding period: Financial year ended 30 June 2018

Results for announcement to the market	Change			FY19 \$'000	FY18 \$'000
Revenue from ordinary activities	Up	12.1%	to	252,544	221,956
Profit from ordinary activities after tax attributable to members	Up	30.6%	to	53,111	40,673
Profit for the period attributable to members	Up	30.6%	to	53,111	40,673

Dividends	Amount per Share	Franked amount per Share
<b><i>Current period</i></b>		
Final dividend	13.0c	7.8c
Interim dividend	12.0c	6.0c
<b><i>Previous period</i></b>		
Final dividend	11.0c	5.5c
Interim dividend	11.5c	4.6c

Final Dividend sourced from Conduit Foreign Income 5.2c

Record date: Monday 26 August 2019

Record date for DRP: Tuesday 27 August 2019

Payment date: Wednesday 18 September 2019

Ex-dividend date: Friday 23 August 2019

The Dividend Reinvestment Plan will be in operation for the FY19 full year dividend.

Net tangible assets	FY19	FY18
Net tangible asset backing per share	\$0.22	\$0.09

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#### Audit review status

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

The accounts have been audited with no qualification.

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#### Attachments

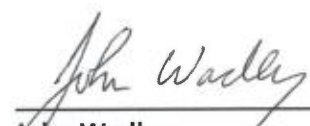
*Details of attachments (if any):*

The remainder of the information requiring disclosure to comply with listing rule 4.3A is contained in the accompanying FY19 Financial Report.

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#### Signed

  
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John Wadley  
Chief Financial Officer  
Sydney

Date: 20 August 2019



IPH Limited and its Controlled Entities  
**Annual Financial Report**

For the year ended 30<sup>th</sup> June 2019

[www.iphltd.com.au](http://www.iphltd.com.au)

## Corporate Directory

Directors	Mr Richard Grellman AM - Chairman Dr Andrew Blattman Mr John Atkin Ms Robin Low Ms Jingmin Qian
Company secretary	Mr Philip Heuzenroeder
Notice of annual general meeting	The details of the annual general meeting of IPH Limited are: Thursday 21 November at 10:30am at the offices of EY 200 George Street Sydney NSW 2000
Registered office	Level 24 Darling Park Tower 2 201 Sussex Street Sydney NSW 2000 Tel: 02 9393 0301 Fax: 02 9261 5486
Principal place of business	Level 24 Darling Park Tower 2 201 Sussex Street Sydney NSW 2000
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Tel: 1300 554 474
Auditor	Deloitte Touche Tohmatsu Level 9, Grosvenor Place 225 George Street Sydney NSW 2000
Solicitors	Watson Mangioni Lawyers Pty Limited Level 23, 85 Castlereagh Street Sydney NSW 2000
Stock exchange listing	IPH Limited shares are listed on the Australian Securities Exchange (ASX code: IPH)
Website	<a href="http://www.iphltd.com.au">www.iphltd.com.au</a>
Corporate Governance Statement	The Corporate Governance Statement was approved by the Board of Directors on 22 October 2018 and can be found at <a href="http://www.iphltd.com.au">www.iphltd.com.au</a>

The Directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Group') consisting of IPH Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

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

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

## 1. Directors

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

Name	Office
Mr Richard Grellman, AM	Non-executive Chairman
Dr Andrew Blattman	Managing Director and Chief Executive Officer
Mr John Atkin	Non-executive Director
Ms Robin Low	Non-executive Director
Ms Jingmin Qian	Non-executive Director (appointed 1 <sup>st</sup> April 2019)

### 1.1 Information on Directors

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

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

Name:	Dr Andrew Blattman
Title:	Managing Director and Chief Executive Officer (appointed 20 November 2017)
Qualifications:	BScAgr (Hons 1), PhD, GraDipIP
Experience and expertise:	<p>Andrew has more than 20 years' experience in the intellectual property profession. Previously he was CEO of Spruson &amp; Ferguson, the largest entity in the IPH Limited group. Andrew joined Spruson &amp; Ferguson in 1995 and in 1999 he was appointed as a Principal of the firm.</p> <p>In 2015 Andrew was appointed CEO of Spruson &amp; Ferguson. Under his leadership Spruson &amp; Ferguson significantly expanded its footprint in the Australian and Asian IP markets – opening new offices in Melbourne, Beijing, Hong Kong SAR, Jakarta and Bangkok.</p> <p>Since Spruson &amp; 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.</p>
Memberships of Professional Associations:	FIPTA, APAA, AIPPI, FICPI and IPSANZ
Other current directorships:	No other current directorships
Interests in shares:	2,506,166
Special responsibilities:	CEO

Name:	John Atkin
Title:	Non-executive Director (appointed 23 September 2014)
Qualifications:	LLB (1st Class Hons), BA (Pure Mathematics) (1st Class Hons)
Experience and expertise:	<p>John is a former Chief Executive Officer and Managing Director of The Trust Company Limited (2009 - 2013) prior to its successful merger with Perpetual Limited. John was also Managing Partner and Chief Executive of Blake Dawson (2002 - 2008). He also worked at Mallesons Stephen Jaques as a Mergers &amp; Acquisitions Partner for 15 years (1987 - 2002).</p>
Other current directorships:	<p>John is Chairman of the Australian Institute of Company Directors, Australian Outward Bound Foundation and Qantas Superannuation Limited. He is a Director of Integral Diagnostics Limited, Commonwealth Bank Officers Superannuation Corporation Pty Limited, Outward Bound International Inc.</p>
Former directorships (last 3 years)	<p>Non-executive director Aurizon Holdings Limited (2010 - 2016), Chairman GPT Metro Office Fund (2014-2016).</p>
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:	Robin is a Director of AUB Group Limited, CSG Limited, Appen Limited, Primary Ethics, the Public Education Foundation, Australian Reinsurance Pool Corporation, Gordian Runoff Limited/Enstar Australia Holdings Pty Ltd (part of the NASDAQ listed Enstar Group) and Guide Dogs NSW/ACT. Robin is also Deputy Chairman of the Auditing and Assurance Standards Board.
Interests in shares:	74,214
Special responsibilities:	Chairman - Audit Committee. Member - Nomination and Remuneration Committee, Risk Committee

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

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

## 1.2 Meetings of Directors

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

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

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

## 2. Company secretary

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

## 3. Principal activities

During the year principal activities of the Group consisted of:

- IP services related to provision of filing, prosecution, enforcement and management of patents, designs, trade marks and other IP in Australia, New Zealand, Asia and other countries; and
- the development and provision of IP data and analytics and autonomous timekeeping software under the subscription licence model whereby the software is licensed and paid for on a recurring basis.

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

## 4. Operational and Financial Review

### 4.1 Operations and financial performance

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

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

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

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

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



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

#### Australia and New Zealand IP

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

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

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

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

#### Asian IP

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

IPH Group patent filing activity increased across most Asian jurisdictions, including Thailand, Vietnam, Indonesia and Malaysia. Total patent filing growth in these jurisdictions was 15.4% for the year.

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

#### Data and Analytics Software

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

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

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

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

#### Movements in FX Rates

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

	AUD/USD		AUD/EUR		AUD/SGD	
	Year End	Average	Year End	Average	Year End	Average
<b>FY17</b>	0.7692	0.7545	0.6730	0.6919	1.0598	1.0505
<b>FY18</b>	0.7407	0.7754	0.6420	0.6498	1.0095	1.0404
<b>Movement</b>		(2.8%)		6.1%		1.0%
<b>FY19</b>	0.7022	0.6947	0.6176	0.6152	0.9500	0.9468
<b>Movement</b>		10.4%		5.3%		9.0%

#### 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 for FY19 have been made for:

- **Business acquisition costs** – costs incurred in the pursuit of acquisitions which have been completed, not ultimately pursued or are currently in progress.
- **New business establishment costs** – costs of establishing new offices.
- **Restructuring expenses** – costs of restructuring across the Group. In the current year these predominately related to the merger of Cullens and Fisher Adams Kelly Callinans into Spruson & Ferguson; and the restructuring of certain aspects of AJ Park.
- **Share based payments** – accounting charges for the share-based incentive plans.
- **Profit on sale of Practice Insight businesses** – disposal of the Filing Analytics and Citation Eagle businesses and DMS

## 4.2 Statement of Financial Position

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

A summary of specific key movements are as follows:

### Cash & cash equivalents

- The cash flow statement within the financial report provides details of the cash movements during the year. The Group generated positive cash flows from operating activities of \$61.6m.
- The Group derives the majority of its revenue in USD and as such carries a significant amount of cash in USD. As at 30 June 2019 the cash balance was denominated in AUD (28%), USD (39%) and other (33%).
- The increase in investments relates to the acquisition of a 19.9% interest in the shares of Xenith IP Group in February 2019 at a total cost of approximately \$33 million, revalued at 30 June 2019.

**Trade and other receivables**

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

**Acquisition intangibles & goodwill**

- The decrease in intangible assets arises from the reduction of goodwill and software intangibles as a result of the sale of the Practice Insight businesses and further amortisation of customer relationship intangibles.
- Identifiable intangible assets, net of amortisation, consist of customer relationships \$62.7m, trademarks \$4.2m and software of \$3.5m.
- Goodwill recognised on acquisitions is \$184.6m.

**Liabilities**

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

**Equity**

- There were no issues of shares during the year.

## 4.3 Business model, strategy and outlook

### 4.3.1 Business model

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

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

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

### 4.3.2 Strategy

#### **IPH vision, mission and values**

From the Company's foundation and listing on the ASX in November 2014, IPH has been pursuing its vision of becoming the leading IP group in IP secondary<sup>1</sup> 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

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

### **Australian and New Zealand IP businesses**

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

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

### **Asian IP businesses**

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

### **Other secondary IP markets**

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

### **Adjacent to IP markets**

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

### **Business improvements and operations**

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

#### **4.3.3 FY20 priorities**

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

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

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

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

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

#### 4.4 Risks

Risk	Description	Management of risk
<b>Strategic planning and implementation</b>	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.
<b>Competition and changing market conditions</b>	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.	<p>Effective client service, comprising a high level of expertise at competitive prices delivered in a timely manner.</p> <p>All operations of the IPH Group are now or will be supported by industry leading IT systems.</p> <p>Regular marketing visits to maintain and develop client relationships and understand potential changes in client needs, and internal and external pressures.</p> <p>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.</p>
<b>Regulatory environment</b>	The Company is subject to significant regulatory and legal oversight.	<p>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.</p> <p>Careful management and oversight of the Group's internal case management system.</p> <p>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.</p>

<b>Risk</b>	<b>Description</b>	<b>Management of risk</b>
<b>Regulatory reforms</b>	<p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>The Company also continues to consider the development of revenue streams from adjacent markets.</p>
<b>Personnel</b>	<p>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.</p>	<p>Retention practices including appropriate remuneration, incentive programmes (both short and long term), retention awards, working environment and rewarding work.</p> <p>Careful management of staff numbers and salary levels and consideration of resourcing requirements as the Company grows.</p>
<b>Disintermediation</b>	<p>The Group acts as an intermediary agent between its clients and IP offices. The removal of intermediaries in the IP application and registration process would have an adverse impact on the Group. It is also possible that third party service providers that currently only provide services with respect to limited aspects of IP protection may seek to extend their relationships with clients into other aspects of the provision of IP services that the Group currently services causing a diminution of relationships with clients.</p>	<p>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.</p> <p>Other factors which help safeguard the Company's intermediary role are effective technology, excellent client service and efficient operations. The Company also seeks to offer its services in a range of secondary markets. Many of these markets have less developed IP regulations and systems and require translations into languages other than English, and are therefore less likely to be affected by disintermediation or expansion by other providers.</p>
<b>Case management and technology systems</b>	<p>The Group's internally customised systems represent an important part of its operations upon which the Group is reliant.</p>	<p>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</p>



Risk	Description	Management of risk
<b>Technology disruption</b>	The increasing use of electronic systems and processes by regulatory authorities in some markets may provide opportunities for technology disruption in the industry.	<p>systems, operations and human resourcing, and its management of cyber risk. The Company continually invests in system enhancements and engages quality 3rd party suppliers to assist with its systems development and maintenance.</p> <p>The Company's transition of its IT systems to offsite 'cloud-based' systems enables centralised oversight and standardisation of processes.</p> <p>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.</p> <p>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.</p>
<b>Foreign exchange risk</b>	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.
<b>Conflict of duties</b>	Patent and trademark attorneys are required to abide by a code of conduct that requires them to act in accordance with the law, in the best interests of their client, in the public interest, and in the interests of the registered attorney's profession as a whole. There may be circumstances in which the Company is required to act in accordance with these duties contrary to other corporate responsibilities and against the interests of	<p>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.</p> <p>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</p>

Risk	Description	Management of risk
	<p>shareholders and the short term profitability of IPH.</p> <p>An amendment to the Code of Conduct may affect the manner in which the Group conducts its activities, particularly with the expansion of the Group to include additional business units.</p>	<p>professional standards bodies' Codes of Conduct and Professional Rules.</p>
<b>Professional liability and uninsured risks</b>	<p>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.</p>	<p>The Company maintains file management processes which are highly automated, safeguarded, controlled and regularly reviewed.</p> <p>The Company has comprehensive quality assurance processes to ensure appropriate standards of professional work are maintained.</p> <p>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.</p>
<b>Acquisitions</b>	<p>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.</p>	<p>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.</p>
<b>Integration of acquired businesses</b>	<p>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.</p>	<p>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.</p>

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<b>Risk</b>	<b>Description</b>	<b>Management of risk</b>
<b>Management of an expanded group</b>	With the expansion of the Group to include new business units with multiple offices and across multiple jurisdictions risk may arise with respect to ensuring the appropriate structuring and resourcing of key management and shared services functions and appropriate reporting and oversight of Group operations.	As the Group expands, with the oversight of the Board, the Company reviews and adapts existing management structures to ensure appropriate oversight, reporting requirements, support and resourcing is in place, and that the Company is attracting, retaining and motivating appropriate skilled personnel.

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## 5. Remuneration report (audited)

### Introduction from the Nomination and Remuneration Committee Chair

Dear Shareholders,

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

### Professional staff incentive plan

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

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

### Corporate executive remuneration

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

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

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

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

Yours sincerely,

John Atkin  
Nomination and Remuneration Committee Chair

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

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

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

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

## **5.1 Principles used to determine the nature and amount of remuneration**

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

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

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

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

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

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

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

## 5.2 Executive remuneration

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

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

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

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

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

### Long term incentive

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

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

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

EPS targets for the 2019 Plan are:

- Minimum EPS Target – 7% CAGR in EPS over the three year Performance Period ending on 30 June 2021, and
- EPS Target – 15% CAGR in EPS over the three year Performance Period ending on 30 June 2021,

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

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

Dividends will not be paid on Performance Rights.

### 5.3 Company performance

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

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

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

### 5.4 Non-executive Directors remuneration

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

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

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

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

<b>Name - Position</b>	<b>FY 2019 Fees</b>
Richard Grellman AM - Chairman	250,000
John Atkin - Director	140,000
Robin Low - Director	140,000
Jingmin Qian – Director <sup>1</sup>	35,000
	<b>565,000</b>

1. Fees paid from the date of commencement on 1 April 2019

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

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

## **5.5 Details of remuneration**

### **Amounts of remuneration**

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

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

And the following persons:

- John Wadley – Chief Financial Officer



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

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

## 5.6 Service agreements

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

Dr Andrew Blattman, Managing Director and Chief Executive Officer

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

John Wadley, Chief Financial Officer.

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

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

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

## 5.7 Additional disclosures relating to key management personnel

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

### Shareholding

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

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

30 June 2018	Balance at the start of the year	Additions	Disposals	Balance at the end of the year
<b>Ordinary shares</b>				
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 <sup>1</sup>	53,841	-	(53,841)	-
David Griffith <sup>2</sup>	2,598,765	-	(2,598,765)	-
Kristian Robinson <sup>3</sup>	1,038,991	-	(1,038,991)	-
	<b>8,428,824</b>	<b>30,832</b>	<b>(3,691,597)</b>	<b>4,768,059</b>

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

### Option holding

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

### Performance rights holding

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

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

1. Financial year in which the award is granted.

**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	1,443,542	Ordinary	0.00	Up to April 2022
IPH Limited	Retention	70,303	Ordinary	0.00	Up to August 2019

## 7. Shares under option

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

## 8. Dividends

Dividends paid during the financial year were as follows:

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

## 9. Significant changes in the state of affairs

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

## 10. Matters subsequent to the end of the financial year

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

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

## 11. Environmental regulation

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

## 12. Indemnity and insurance of officers

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

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

## 13. Indemnity and insurance of auditor

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

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

## 14. Proceedings on behalf of the Company

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

## 15. Non-audit services

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

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

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

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the

auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

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

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

## 17. Rounding of amounts

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

## 18. Auditor's independence declaration

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

## 19. Auditor

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

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



Dr Andrew Blattman  
Managing Director

20 August 2019  
Sydney

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

20 August 2019

Dear Board Members

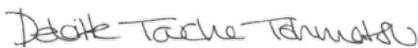
### **Auditor's Independence Declaration to IPH Limited**

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

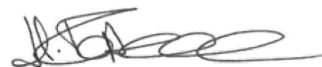
As lead audit partner for the audit of the financial report of IPH Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



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

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



**IPH LIMITED**  
**ABN 49 169 015 838**  
**STATEMENT OF FINANCIAL POSITION**

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

*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 \$'000	Foreign Currency Translation Reserve \$'000	Minority Interest Acquisition Reserve \$'000	Equity Settled Employee Benefits Reserve \$'000	Other Reserve \$'000	Retained Profits \$'000	Total equity \$'000
<b>Balance at 1 July 2017</b>	<b>233,598</b>	<b>(166)</b>	<b>(14,850)</b>	<b>2,676</b>	-	<b>18,436</b>	<b>239,694</b>
Profit after income tax expense for the year	-	-	-	-	-	40,673	40,673
Effect of foreign exchange differences	-	167	-	-	-	-	167
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>167</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,673</b>	<b>40,840</b>
<i>Transactions with owners in their capacity as owners:</i>							
Issue of ordinary shares as consideration for a business combination, net of transaction costs	27,036	-	36	-	-	-	27,072
Share buy back	(2,727)	-	-	-	-	-	(2,727)
Dividend Reinvestment plan	4,856	-	-	-	-	-	4,856
Share-based payments	-	-	-	676	-	-	676
Dividends paid (note 24)	-	-	-	-	-	(42,823)	(42,823)
<b>Balance at 30 June 2018</b>	<b>262,763</b>	<b>1</b>	<b>(14,814)</b>	<b>3,352</b>	<b>-</b>	<b>16,286</b>	<b>267,588</b>
<b>Balance at 1 July 2018</b>	<b>262,763</b>	<b>1</b>	<b>(14,814)</b>	<b>3,352</b>	<b>-</b>	<b>16,286</b>	<b>267,588</b>
Profit after income tax expense for the year	-	-	-	-	-	53,111	53,111
Effect of foreign exchange differences	-	3,857	-	-	-	-	3,857
Fair value gain on investment in equity instruments designated at FVTOCI	-	-	-	-	4,478	-	4,478
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>3,857</b>	<b>-</b>	<b>-</b>	<b>4,478</b>	<b>53,111</b>	<b>61,446</b>
<i>Transactions with owners in their capacity as owners:</i>							
Share-based payments charge	-	-	-	2,200	-	-	2,200
Share-based payments vested	-	-	-	(1,099)	-	-	(1,099)
Dividends paid (note 24)	-	-	-	-	-	(45,385)	(45,385)
<b>Balance at 30 June 2019</b>	<b>262,763</b>	<b>3,858</b>	<b>(14,814)</b>	<b>4,453</b>	<b>4,478</b>	<b>24,012</b>	<b>284,750</b>

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

**IPH LIMITED**  
**ABN 49 169 015 838**  
**STATEMENT OF CASHFLOWS**

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

*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 20 August 2019.

## Note 2. Significant accounting policies

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

### New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

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

### Statement of compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the 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.

The Group provides professional services in relation to the protection, commercialisation, enforcement and management of all forms of intellectual property. Delivery of these services represent performance obligations. Upon completion of each performance obligation, which is satisfied at a point in time, the Group is entitled to payment for the services performed. Fees for completion of each performance obligation are determined by reference to a scale of charges and revenue is recognised.

Dividend revenue is recognised when the right to receive a dividend has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is recognised on an accruals basis

Other revenue, including commission revenue, is recognised when it is received or when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax (GST).

## Contract assets

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

## Disbursements recoverable

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

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

## Income Tax

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

### Current tax

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

### Deferred tax

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

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

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

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

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

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

### **Current and deferred tax for the period**

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

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

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

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

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

## **Financial instruments**

### **Financial assets**

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

### **Impairment of financial assets**

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

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

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

### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at banks, short term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated Statement of Financial Position.

### **Trade and other receivables**

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The Group's receivables balances are subject to an assessment of the expected loss based on historical experience and an associated impairment charge is provided. Historical experience is considered an appropriate indicator of future credit losses. Trade receivables are written off when there is no reasonable expectation of recovery.

### **Loans and receivables**

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

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

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

### **Financial liabilities**

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

Non derivative financial liabilities are recognised at amortised cost using the effective interest method.

Trade accounts payable comprise the original debt less principal payments plus where applicable any accrued interest.

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

### **Trade and other payables**

Trade and other payables represent the liabilities for goods and services received that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 90 days of recognition of the liability.

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

## **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are amortised over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

<b>Leasehold improvements</b>	6-15 years
<b>Plant and equipment</b>	2-20 years
<b>Furniture, fixtures and fittings</b>	5-20 years
<b>Computer equipment</b>	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
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### **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 are no longer at the discretion of the Company.

## Business combinations

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

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

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

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

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

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

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

## Earnings per share

### Basic earnings per share

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

### Diluted earnings per share

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

## Rounding of amounts

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

## Adoption of new accounting standards

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

## AASB 9 Financial Instruments

The Group has adopted AASB 9 'Financial Instruments' from 1 July 2018. The Group has no complex financial instruments and does not apply hedge accounting. The primary impact is in relation to the calculation of impairment losses impacts the way the Group calculates the bad debts provision, now termed the credit loss allowance.

AASB 9 requires an expected loss model in relation to the determination of impairment of trade receivables. The Group's receivables balances are subject to the expected loss based on historical experience and an associated impairment charge is provided. Historical experience is considered an appropriate indicator of future credit losses. Trade receivables are written off when there is no reasonable expectation of recovery.

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

	Original Measurement Category under AASB 139	New Measurement Category under AASB 9
<b>Cash &amp; Cash Equivalents</b>	Fair Value through Profit and loss	Amortised cost
<b>Trade &amp; Other Receivables</b>	Loans and Receivables	Amortised cost
<b>Trade &amp; Other Payables</b>	Amortised cost	Amortised cost
<b>Other Financial Liabilities</b>	Fair Value through Profit and Loss	Fair Value through Profit and Loss
<b>Borrowings</b>	Amortised cost	Amortised cost

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

## AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 'Revenue from Contracts with Customers' from 1 July 2018. AASB 15 requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations which occur when control is transferred to the customer.

The Group provides professional services in relation to the protection, commercialisation, enforcement and management of all forms of intellectual property. Delivery of these services represent performance obligations. Upon completion of each performance obligation, which is satisfied at a point in time, the Group is entitled to payment for the services performed. Fees for completion of each performance obligation are determined by reference to a scale of charges and revenue is recognised, which remains consistent with the previous treatment under AASB 118. Disclosure of disaggregated revenue can be seen in Note 4.

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

## New and revised standards not yet effective

### AASB 16 Leases

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

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

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

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

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

### Note 3. Critical accounting judgements, estimates and assumptions

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

#### **Goodwill and other indefinite life intangible assets**

The Group tests annually, or more frequently if events or 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.

## 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.

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

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

### Intersegment transactions

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

### Reliance on major customers

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

## Note 4. Operating Segments

Consolidated	Intellectual Property Services				Data and Analytics		Corporate		Intersegment eliminations / unallocated		Total	
	Australia & NZ		Asia		Software							
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>												
Sales to external customers	163,344	146,655	89,200	75,301	-	-	-	-	-	-	252,544	221,956
Intersegment sales	856	802	3,669	2,539	-	-	-	-	(4,525)	(3,341)	-	-
Total sales revenue	164,200	147,457	92,869	77,840	-	-	-	-	(4,525)	(3,341)	252,544	221,956
Other revenue	7,446	7,910	591	128	477	1,212	(20)	(1,209)	(4,390)	(3,971)	4,105	4,070
<b>Total revenue</b>	<b>171,646</b>	<b>155,367</b>	<b>93,460</b>	<b>77,968</b>	<b>477</b>	<b>1,212</b>	<b>(20)</b>	<b>(1,209)</b>	<b>(8,914)</b>	<b>(7,312)</b>	<b>256,649</b>	<b>226,026</b>
Less: Overheads	(109,827)	(101,220)	(54,843)	(46,822)	(1,904)	(3,921)	(10,020)	(7,158)	9,638	7,099	(166,956)	(152,022)
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA), before adjustments</b>	<b>61,818</b>	<b>54,147</b>	<b>38,617</b>	<b>31,146</b>	<b>(1,427)</b>	<b>(2,709)</b>	<b>(10,040)</b>	<b>(8,367)</b>	<b>724</b>	<b>(213)</b>	<b>89,692</b>	<b>74,004</b>
Less: Depreciation	(1,119)	(1,131)	(233)	(204)	(53)	(24)	(97)	(139)	-	-	(1,549)	(1,498)
Less: Amortisation	(8,510)	(7,716)	(1,169)	(1,005)	(519)	(1,961)	(984)	(934)	30	22	(11,105)	(11,594)
Less: Management Charges	2,324	3,937	(8,071)	(5,491)	-	-	5,748	1,554	-	-	-	-
<b>Segment result: (Profit before interest, tax and adjustments)</b>	<b>54,513</b>	<b>49,237</b>	<b>29,144</b>	<b>24,446</b>	<b>(1,998)</b>	<b>(4,694)</b>	<b>(5,374)</b>	<b>(7,886)</b>	<b>754</b>	<b>(191)</b>	<b>77,039</b>	<b>60,912</b>
<b>Reconciliation of segment result</b>												
Segment result											77,039	60,912
Adjustments to statutory result:												
Business acquisition costs											(3,477)	(982)
Business acquisition adjustments											-	642
New business establishment costs											(31)	(786)
Restructuring expenses											(985)	(2,134)
Profit on sale of Practice Insight business											2,857	-
Share based payments											(2,200)	(676)
Total adjustments											(3,837)	(3,936)
Interest income											92	29
Finance Costs											(2,661)	(1,537)
Impairment of intangible assets											-	(2,148)
<b>Profit for the period before income tax expense</b>											<b>70,632</b>	<b>53,320</b>
<b>Reconciliation of segment revenue</b>												
Segment revenue											256,649	226,026
Profit on sale of Practice Insight business											2,857	-
Interest income											92	29
<b>Total revenue</b>											<b>259,598</b>	<b>226,056</b>



**Note 5. Sales Revenue**

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Revenue from the rendering of services	252,544	221,956
	<u>252,544</u>	<u>221,956</u>

**Note 6. Other Income**

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

**Note 7. Expenses**

Profit before income tax includes the following specific expenses:

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

**Note 8. Income Tax Expense**

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

**Note 9. Current assets - cash and cash equivalents**

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

## Note 10. Current assets - trade and other receivables

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Trade receivables	64,655	57,930
Less: Loss allowance	(1,249)	(818)
	<b>63,406</b>	<b>57,112</b>

### Impairment of receivables

The Group has recognised a loss of \$727,000 (2018: \$381,000) in profit or loss in respect of receivables for the year ended 30 June 2019.

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

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

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

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

### Past due but not impaired

Customers with receivable balances past due but without provision for impairment, amount to \$22,932,000 as at 30 June 2019 (2018: \$19,262,000).

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

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

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

## Note 11. Current assets - other

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

## Note 12. Investments

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
<b>Current</b>		
Investment in equity instruments <sup>1</sup>	39,194	-
	<b>39,194</b>	<b>-</b>

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

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

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

### Reconciliations

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

#### Consolidated

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

## Note 14. Non Current assets - intangibles

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

### Reconciliations

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

#### Consolidated

	Goodwill	Patents and trade marks	Customer relationships	Capitalised software development	Software Acquired	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	144,570	3,519	59,928	3,168	1,741	212,926
Additions	-	-	-	3,269	-	3,269
Additions through business combinations	40,639	2,866	20,313	-	-	63,818
Exchange differences	14	-	-	18	-	32
Impairment <sup>1</sup>	-	(2,148)	-	-	-	-
Amortisation expense	-	-	(8,411)	(2,232)	(951)	(11,594)
<b>Balance at 30 June 2018</b>	<b>185,223</b>	<b>4,237</b>	<b>71,830</b>	<b>4,223</b>	<b>790</b>	<b>266,303</b>
Additions	-	33	-	3,584	-	3,616
Disposals (note 33)	(3,834)	(80)	-	(2,432)	(671)	(7,017)
Exchange differences	3,259	-	1	(3)	-	3,256
Amortisation expense	-	-	(9,095)	(1,891)	(119)	(11,105)
<b>Balance at 30 June 2019</b>	<b>184,648</b>	<b>4,189</b>	<b>62,735</b>	<b>3,481</b>	-	<b>255,054</b>

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:

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

#### 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	
	2019	2018		Pre-Tax	Post-Tax
	%	%	%	2019 & 2018	%
Spruson & Ferguson Australia <sup>1</sup>	4.3	4.4	2.5	15	10.5
Pizzeys	7.1	6.2	2.5	15	10.5
AJ Park	3.8	6.9	2.5	15	10.5
S&F Hong Kong	19.4	18.6	2.5	15	10.5

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

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

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

#### Impact of possible change in key assumptions

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

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

Sensitivity analysis has been conducted on the assumptions above to assess the effect on the recoverable amount of changes in the key assumptions. A decrease of the EBITDA CAGR by 3% or an increase in the post tax discount rate of 0.88% would result in the carrying value of the Pizzeys CGU to equal the recoverable amount.

#### 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 asset comprises the following balances:					
Loss allowance	66	166			232
Property, plant and equipment	135	239			374
Provisions	1,983	297			2,280
Accrued expenses	250	499			749
Unbilled revenue	(316)	(92)			(408)
Prepayments	(4)	(1)			(5)
Foreign exchange	45	553			598
Transaction costs	758	83			841
Leased assets	622	88			710
Software	975	(679)	(396)		(100)
Intangible assets - Customer Relationships	(21,075)	2,580			(18,495)
Intangible assets - Trademarks	(405)	-			(405)
Sundry	592	380			972
Fair value movement on Investments	-	-		(1,919)	(1,919)
	<b>(16,374)</b>	<b>4,114</b>	<b>(396)</b>	<b>(1,919)</b>	<b>(14,575)</b>

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

**Note 16. Current liabilities - trade and other payables**

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

**Note 17. Current liabilities - provisions**

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Employee benefits	6,331	6,393
Provision for onerous lease <sup>1</sup>	-	750
Other provisions	1,779	909
	<b>8,110</b>	<b>8,052</b>

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

**Note 18. Current liabilities - other financial liabilities**

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Preference shares	200	200
Foreign exchange contracts	-	202
	<b>200</b>	<b>402</b>

## Note 19. Borrowings

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
<b>Non Current</b>		
Multicurrency loan facility	65,470	40,102
	<b>65,470</b>	<b>40,102</b>

On 11th February 2019, the Group entered into a facilities agreement ('Agreement') with HSBC and Westpac which refinanced the facilities previously outstanding with ANZ. The facilities under the Agreement comprise:

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

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

### Assets pledged as security

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

### Financing arrangements

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

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

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



## Note 20. Non-current liabilities - provisions

	Consolidated	
	30 June 2019	30 June 2018
	\$'000	\$'000
Employee benefits	251	200
Lease liability <sup>1</sup>	4,472	4,471
	<b>4,723</b>	<b>4,671</b>

1. The movement in the lease liability reflects the straightlining of rent over the life of the leases

## Note 21. Equity - issued capital

	Consolidated		Consolidated	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	Shares	Shares	\$'000	\$'000
Ordinary Class shares - fully paid	197,341,566	197,341,566	262,763	262,763
	<b>197,341,566</b>	<b>197,341,566</b>	<b>262,763</b>	<b>262,763</b>

### Movements in ordinary share capital

	Date	Shares	\$'000
Balance at 1 July 2017		191,688,526	233,598
Retention rights exercised	11 July 2017	57,519	-
Dividend reinvestment - final dividend (Note 24)	13 September 2017	550,929	2,479
Performance rights exercised	19 October 2017	310,128	-
Acquisition of AJ Park Ltd1	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)
<b>Balance at 30 June 2018</b>		<b>197,341,566</b>	<b>262,763</b>
<b>Balance at 30 June 2019</b>		<b>197,341,566</b>	<b>262,763</b>

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

### Share buy-back

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

### Capital risk management

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

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

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

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

### Dividend reinvestment plan

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

## Note 22. Equity - reserves

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

### 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 acquisition reserve

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

### Movements in reserves

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

## Note 23. Equity - retained profits

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

## Note 24. Equity - dividends

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

On 20 August 2019, the Company declared an ordinary dividend of 13.00 cents per share (franked at 60%) to be paid on 18 September 2019. The dividend value is \$27,680,000. No provision for this dividend has been recognised in the Statement of Financial Position as at 30 June 2019, as it was declared after the end of the financial year.

### Dividend Reinvestment Plan

The Dividend Reinvestment Plan did not operate during the year.

### Franking credits

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

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:  
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date

## 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 <sup>1</sup>
<b>30 June 2019</b>						
Net asset exposure (Local Currency)	243,718	13,208	1,750	9,075	6,402	3,754
<b>30 June 2018</b>						
Net asset exposure (Local Currency)	248,892	2,039	1,966	7,773	6,006	1,689

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 (2018: 10% fluctuation) on the average rates during the financial year. This analysis assumes that all other variables including interest rates remain constant. A 10% movement in the average foreign exchange rates would have impacted the Group's profit after tax and equity as follows:

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

### 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:

Consolidated	30 June 2019		30 June 2018	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Multicurrency loan facility	3.70	65,470	3.85	40,102
<b>Net exposure to cash flow interest rate risk</b>		<b>65,470</b>		<b>40,102</b>

### 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 2019	30 June 2018
	\$'000	\$'000
Multicurrency loan facility	124,530	47,913
Working capital facility	13,500	-
	<b>138,030</b>	<b>47,913</b>

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

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

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

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Unobservable inputs for the asset or liability.

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

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

Consolidated - 30 June 2019	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>				
Investment in shares	39,194	-	-	39,194
<b>Total current assets</b>	<b>39,194</b>	<b>-</b>	<b>-</b>	<b>39,194</b>
<b>Consolidated - 30 June 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>				
Investment in shares	-	-	-	-
<b>Total current assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

## Note 27. Remuneration of auditors

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

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

## Note 28. Contingent liabilities

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

## Note 29. Commitments

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

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 35.

#### Key management personnel

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

#### Transactions with related parties

There were no additional transactions with related parties.

### Note 31. Parent entity information

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

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

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

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

#### Contingent liabilities

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

#### Capital commitments - Property, plant and equipment

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

#### Significant accounting policies

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

## Note 32. Business combinations

### Acquisitions undertaken in the year ended 30 June 2018

#### AJ Park IP Limited

On 31 October 2017, the Group acquired 100% of the ordinary shares of AJ Park IP Limited under the terms of a Share Purchase Agreement (SPA). The final accounting for the acquisition was finalised during the previous financial year. There were no acquisition adjustments recorded during the year ended 30 June 2019.

## Note 33. Sale of Practice Insight Businesses

On 15 August 2018, a wholly owned subsidiary, Practice Insight Pty Ltd, sold its Filing Analytics and Citation Eagle businesses to CPA Global Services Limited for \$10 million. A profit of \$2,072,000 arising from the sale has been recognised on the sale of these businesses comprising the following:

	<b>\$'000</b>
Proceeds from sale	10,000
Less disposed assets:	
Goodwill	(3,834)
Acquired Intangibles	(671)
Software	(2,147)
Trademarks	(80)
Less costs of sale:	
Transaction costs	(1,196)
<b>Net profit on sale after transaction costs</b>	<b>2,072</b>

On 1 May 2019, Practice Insight entered into an agreement to sell its DMS product to Pace IP UG of Germany for €900,000 (\$1.4 million), with the initial settlement payment of €100k received and the balance payable in installments over 2 years. A profit on sale of \$786,000 has been recognised from the sale.

## Note 34. Events after the reporting period

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

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

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



### Note 35. Interests in subsidiaries

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

Name	Principal place of business/Country of incorporation	Principal activities	Ownership interest	Ownership interest
			30 June 2019	30 June 2018
Spruson & Ferguson Pty (NSW) Limited <sup>2,3</sup>	Australia	Non Trading entity	100%	100%
Spruson & Ferguson Pty Limited <sup>2,3</sup>	Australia	Patent attorneys	100%	100%
Spruson & Ferguson Lawyers Pty Limited <sup>2,3</sup>	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 <sup>4</sup>	Thailand	Non Trading entity	49%	49%
Spruson & Ferguson Ltd	Thailand	Patent attorneys	100%	100%
IPH Services Limited <sup>2,3</sup>	Australia	Software development	100%	100%
Practice Insight Pty Limited <sup>2,3</sup>	Australia	Data analysis and software	100%	100%
Practice Insight GmbH	Germany	Data analysis and software	100%	100%
Fisher Adams Kelly Pty Limited <sup>2,3</sup>	Australia	Patent attorneys	100%	100%
Pizeys Patent & Trademark Attorneys Pty Ltd <sup>2,3</sup>	Australia	Patent attorneys	100%	100%
Cullens Pty Limited <sup>2,3</sup>	Australia	Patent attorneys	100%	100%
Cullen Services No 1 Pty Limited <sup>2,3</sup>	Australia	Patent attorneys	100%	100%
Pizeys 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 <sup>5</sup>	China	Patent attorneys	0%	0%
AJ Park IP Ltd	New Zealand	Patent attorneys	100%	0%
AJ Park Law Ltd <sup>5</sup>	New Zealand	Lawyers	0%	0%
AJ Park IP Pty Ltd	Australia	Patent attorneys	100%	0%
Spruson & Ferguson Projects Pty Ltd	Australia	Non Trading Entity	100%	100%
Spruson & Ferguson (Qld) Pty Ltd	Australia	Non Trading Entity	100%	100%

1. IPH Limited is the head entity within the tax consolidated group.

2. These companies are members of the tax consolidated group.

3. These wholly owned subsidiaries entered into a deed of cross guarantee with IPH limited pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 and are relieved from the requirements to prepare and lodge an audited financial report (note 39).

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

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

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

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

**Note 37. Earnings per share**

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

## Note 38. Share-based payments

### Initial Incentive Plan - October 2014

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

### Retention rights

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

A portion of the aggregate retention rights granted will vest at each 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
16 Sept 2015	1 July 2018 <sup>1</sup>	\$0.00	85,212	-	(85,212)	-	-
19 August 2016	1 August 2019	\$0.00	88,476	-	-	(15,065)	73,411
<b>Total Retention Rights</b>			<b>173,688</b>	<b>-</b>	<b>(85,212)</b>	<b>(15,065)</b>	<b>73,411</b>

1. Share price at date of exercise \$4.40

### Performance rights

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

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

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

- 50% of the Performance Rights granted will vest subject to a relative total shareholder return ('TSR') performance hurdle over the relevant vesting period; and
- The remaining 50% of the Performance Rights granted will vest subject to an earnings per share ('EPS') performance hurdle over the relevant vesting period.

### TSR Rights

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

- Below the 50th percentile: 0%
- At the 50th percentile: 25%
- Better than the 50th percentile but below the 75th percentile: Pro-rata straight-line between 25% and 100%
- Equal to or above the 75th percentile: 100%

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

### EPS Rights

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

- Compound EPS growth of less than 7% per annum: 0%
- Compound EPS growth of 7% per annum : 20%
- Compound EPS growth of more than 7% per annum but less than 15% per annum: Pro-rata straight line between 20% and 100%
- Compound EPS growth equal to or above 15% per annum : 100%

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

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

## Note 38. Share-based payments (Cont)

### Revised IPH Limited Incentive Plan - November 2016

#### Professional Staff and Senior Management

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

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

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

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

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

1. Annual vesting at the following rates: 20% first vesting date, 30% second and 50% final vesting date

2. Annual vesting of 25% of the award

3. Share price at date of exercise of the each tranche: \$5.42 (1 Jan 19); \$6.83 (1 Jun 19)

4. Rights were issued in 3 tranches with grant dates of 6 Sept 18, 26 Nov 18 and 28 Feb 18

#### IPH Executives - Long Term Incentive

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

EPS Targets for the plan are:

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

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

Vesting of Rights is as follows:

Less than 7% CAGR in EPS over the Performance Period - Nil vesting

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

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

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

At or above 15% CAGR in EPS over the Performance Period - 100% vesting

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

### Note 38. Share-based payments (Cont)

#### Fair value of retention and performance rights granted

The weighted average share price during the financial year was \$6.01 (2018: \$4.49).

The weighted average remaining contractual life of rights outstanding at the end of the financial year was 0.9 years (2018: 1.4 years)

The weighted fair value of the rights granted during the year is \$5.15 (2018: \$4.33)

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

#### Initial Incentive Plan - Oct 2014

Grant Date	Vesting Date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
<b>Performance rights</b>							
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
<b>Retention rights</b>							
17 Sept 2015	1 July 2018	\$6.12	\$0.00	35.00%	3.50%	1.99%	\$5.55
19 August 2016 <sup>1</sup>	30 June 2019	\$5.80	\$0.00		4.00%		\$5.17

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

#### Revised IPH Limited Incentive Plan - November 2016

##### Professional Staff and Senior Management

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

1. Annual vesting at the following rates: 20% first vesting date, 30% second and 50% final vesting date

2. Risk free interest rate and fair value at grant date are at the weighted average of the rights issued

3. Annual vesting of 25% of the award

4. Expected volatility not included in this valuation

##### IPH Executives - Long Term Incentive

LTI - 20 Nov 2017	1 Sept 2020	\$5.64	\$0.00	32.00%	5.00%	1.89%	\$4.91
LTI - 26 Nov 2018 <sup>1</sup>	1 Sept 2021	\$5.40	\$0.00		5.20%	2.07%	\$4.68

1. Expected volatility not included in this valuation

#### Amounts recognised in the Financial Statements

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

### Note 39. Deed of cross guarantee

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

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

**Note 39. Deed of cross guarantee (Cont)**

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

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 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

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

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

On behalf of the Directors



**Andrew Blattman**  
Managing Director  
20 August 2019  
Sydney



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

### Report on the Audit of the Financial Report

#### *Opinion*

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

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

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

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

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

## Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Recoverability of goodwill</b></p> <p>As at 30 June 2019, goodwill totalled \$184.6 million, of which \$68.2 million relates to the Pizzeys cash generating unit ("CGU"), as disclosed in note 14.</p> <p>As set out in note 14, a decline in the EBITDA CAGR by 3.0% or an increase in the post tax discount rate of 0.88% would result in the carrying value of the Pizzeys CGU being equal to the recoverable amount.</p> <p>The determination of the recoverable amount of goodwill is complex and requires management to exercise significant judgement in particular in determining the key assumptions used in cash flow projections, such as:</p> <ul style="list-style-type: none"> <li>• short term budgeted revenue and EBITDA;</li> <li>• long term growth rates; and</li> <li>• discount rates.</li> </ul>	<p>Our procedures performed in conjunction with our valuation specialists, included, but were not limited to:</p> <ul style="list-style-type: none"> <li>○ assessing the appropriateness of management's discounted cash flow ("DCF") model;</li> <li>○ agreeing the cash flow projections used in the DCF model to Board approved forecasts;</li> <li>○ assessing the historical accuracy of management's forecasting by comparing actual results to budgeted results for preceding years;</li> <li>○ challenging the key assumptions and estimates used by management in their DCF models, including analysis of long term growth rates by reference to industry data;</li> <li>○ challenging and evaluating the appropriateness of management's sensitivity analysis; and</li> <li>○ evaluating the appropriateness of disclosures made in the financial report against the relevant accounting standards.</li> </ul>

## 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 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

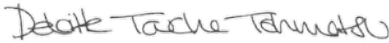
### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 18 to 26 of the Directors' Report for the year ended 30 June 2019.

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

### *Responsibilities*

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



DELOITTE TOUCHE TOHMATSU



H Fortescue  
Partner  
Chartered Accountants  
Sydney, 20 August 2019