



Annual Report

2016

Year Ended 30 June 2016

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CHAIRMAN'S LETTER



“During the year we strengthened IPH’s leadership position in the IP markets across Asia-Pacific.”

The 2016 financial year has been another successful year for IPH – a year of acquisitions, expansion and growth.

We enjoyed double-digit growth in revenue, EBITDA and NPAT, with earnings per share increasing by 11% on FY15. This welcome result was due to the incremental earnings from acquisitions, foreign exchange tailwinds and organic growth from our IP services businesses.

IPH’s solid financial position and strong cash flows continue to support the Company’s high dividend pay-out ratio to our shareholders. The Directors have declared a final dividend of 10.0 cents per share (5c franked) payable on 14 September, bringing dividends paid during the year to 21 cents.

From IPH’s listing on the ASX in November 2014, our vision has been to be the leading IP group in secondary IP markets and adjacent areas of IP. To achieve this we are focusing on four key strategic priorities: organic growth within existing businesses and markets, expansion to other secondary markets where IPH has little or no exposure, entering new adjacent areas of IP and enhancing operational efficiencies, quality control and governance. We believe these strategies, underpinned by the Company’s core values, will deliver sustainable growth and value to our shareholders.

During the year we strengthened IPH’s leadership position in the IP markets across Asia-Pacific including: the acquisition of three well-established Australian IP firms: Callinans, Pizzeys and Cullens; and opening offices of Spruson & Ferguson in Indonesia and Thailand and Pizzeys in Singapore.

The capital raised through the institutional share placement and share purchase plan in the first half of FY16, as well as the Company’s undrawn bank facilities, will enable IPH

to finance strategic growth focusing on secondary markets outside of Australia.

We continue to build a strong leadership team for the future with a number of key appointments in the senior management and professional teams across the IPH group.

On 19 November 2016 escrow restrictions for former trustees of Spruson & Ferguson will cease to apply. IPH intends to facilitate a share sale facility to conduct any sale of shares in a structured and orderly fashion.

In FY17, the Group’s Australian and Asian IP services businesses are expected to grow in line with underlying market trends. We envisage that an incremental earnings contribution will be received from new businesses acquired in the last year and we also expect incremental Asian growth as new offices ramp up through the year. The Data and Analytics Software segment will see an increased level of investment.

Finally, on behalf of the Board, I would like to thank our shareholders for their ongoing support and our staff and management for their efforts in delivering consistently outstanding results while continuing to focus on the business growth and long-term value creation.

A handwritten signature in black ink, appearing to read 'Richard Grellman'. The signature is fluid and cursive, written over a light background.

Richard Grellman
Chairman

FINANCIAL HIGHLIGHTS

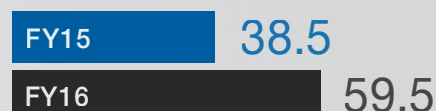
REVENUE (\$M)

\$A
143.1M ▲
53%



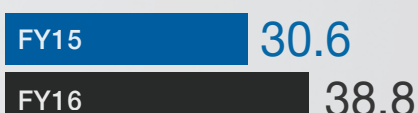
EBITDA(\$M)²⁾

\$A
59.5M ▲
55%



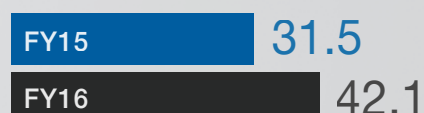
NPAT (\$M)

\$A
38.8M ▲
27%



OPERATING CASHFLOW(\$M)

\$A
42.1M ▲
33%



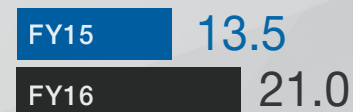
EARNINGS PER SHARE (cents)³⁾

21.7c ▲
11%



FULL YEAR DIVIDEND (cents)

21.0c ▲
55%



¹⁾ The Company listed on 17 November 2014.

²⁾ Earnings before interest, tax, depreciation and amortisation.

³⁾ Diluted earnings per share.

BUSINESS SNAPSHOT

EMPLOYEES

420+



FILINGS BY IPH COMPANIES¹⁾

16,000+ 4,000+

PATENT APPLICATIONS

TRADEMARK APPLICATIONS

BRANDS



MARKET SHARE - PATENTS

22%

No.1 in AUSTRALIA

25%

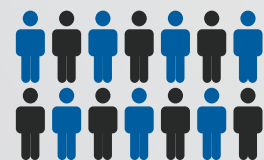
No.1 in SINGAPORE²⁾

LOCATIONS



CLIENTS

6,000+



¹⁾ All patent applications filed either directly or indirectly through an agent, including through IPH entities. Filing numbers are based on number of applications filed by SF(AU) and SF(Asia) in FY16 and annualised number of applications filed by FAKC, Pizzeys & Cullens.

²⁾ CY15.

³⁾ Practice Insight's sales and support office.

CHIEF EXECUTIVE OFFICER'S REPORT



“The strong results were driven by a combination of strong performance by IPH’s IP services businesses, an incremental \$12.4m EBITDA from recent acquisitions and foreign exchange tailwinds.”

In FY16 the Group underwent many exciting changes and achieved significant growth. Today, IPH companies employ over 420 staff, operating under five different brands in seven countries.

In March 2016, IPH was admitted into the S&P/ASX 200 index and at 30 June 2016 had market capitalisation of \$1.2b.

Strong financial performance and solid capital structure

I’m delighted to report that the Group’s growth trend continued with the FY16 underlying net profit after tax (NPAT) of \$46.9M, an increase of 50% on FY15. The Group’s underlying earnings before interest, taxes, depreciation, and amortization (EBITDA) for the year increased by 52% on FY15 to \$65.0m. Our net operating cash flow was \$42.1m. The results were driven by a combination of strong performance by IPH’s IP services business, an incremental \$12.4m EBITDA from recent acquisitions and foreign exchange tailwinds. The America Invents Act caused a pull forward of patent filings, resulting in stronger earnings in the first half of the year.

At the end of FY16, IPH maintained a robust balance sheet with \$58.8m in cash, no debt and \$95m in undrawn bank facilities. The Group continues to have minimal working capital requirements and strong cash conversion across its IP services businesses.

Market Overview

The America Invents Act (AIA) caused an increase in the number of patent applications filed in Australia and Asia in the first half of the year. Post AIA, the outlook remains strong with the normalisation of US originating PCT applications to be filed in the countries serviced by IPH group companies in the next 18 months.

Asian markets remain attractive for IPH with strong, consistent growth across the region.

The patent filings in Australia continue to grow in single-digit percentage terms in a mature market.

Singapore is a moderate growth market with over 10,000 patent applications filed in the last two consecutive years.

IP services businesses

Over the last 12 months, we have delivered on our strategic objective to consolidate the Australian market - IPH extended its leading market position in the Australian IP market by acquiring highly regarded IP firms Callinans, Pizzeys and, most recently, Cullens Patent and Trade Mark Attorneys. We are proud to have such quality firms as part of the IPH family.

Together, IPH Australian IP firms hold the number one patent market position in Australia with approximately 22% market share - more than twice the market share of the next competitor. Spruson & Ferguson, as an individual firm maintained the leading market position in terms of number of patent applications filed in Australia.

Post-acquisitions, we have been working on increasing the Group’s capabilities, efficiencies and geographical coverage. The key developments which took place:

- » merging the operations of Fisher Adams Kelly and Callinans (FAKC);
- » expanding FAKC’s geographical reach of services to Asia;
- » opening of the Pizzeys office in Singapore; and
- » improving efficiencies by enhancing operational management capabilities and the utilisation of IT systems in the newly acquired businesses.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

IPH continues to deliver strong results in Asia, primarily due to the outstanding performance of Spruson & Ferguson's Asian operations. IPH holds the number one position in the Singapore patent market with approximately 25% market share (CY15); and with the establishment of Pizzeys' Singapore office and Spruson & Ferguson's new offices in Indonesia and Thailand, we hope to further grow IPH's footprint in Asia.

In FY16 IPH companies filed over 16,000 patent and 4,000 trademark applications. This includes over 300 originating PCT applications filed by IPH companies for their clients in Australia and Singapore, reflecting further diversification of the business and revenue streams.

Practice Insight

In pursuing our strategy to enter adjacent IP markets, in April 2015, IPH acquired Practice Insight, an IP data and analytics software business. With the acquisition of Practice Insight, one of the few companies in the world with access to the "big" IP data, IPH is well positioned to enter adjacent markets and capitalise on disruptive innovation. Products developed by Practice Insight are highly desirable for private practice firms worldwide as well as patent licensing departments of corporations and research institutions.

We conducted an analysis of Practice Insight's business, products and market; strengthened the company's management and sales capabilities; and established Practice Insight's new sales and support office in Munich to provide better reach in key markets.

In the next 12 months, in an effort to accelerate the company's growth and capitalise on significant market opportunities, we will continue to heavily invest in Practice Insight's product development and go-to-market strategic initiatives.

Management and professional appointment

Our people are a key asset and fundamental to the success of our business. We are committed to attracting, retaining and advancing the best talent to lead, grow and manage our diverse business.

In alignment with this commitment, in the past 12 months, 15 IP professionals across the Group were promoted to the position of Principal. The promotions allowed IPH companies to renew, rejuvenate and ensure continuity of service of the Group's senior IP leadership team. We are extremely pleased to be able to promote our highly qualified and experienced professional staff to key leadership positions within the company under its new corporate structure.

We have also strengthened our executive management team with the appointment of a Chief Operating Officer and General Counsel, which will enhance our ability to execute on the Company's growth strategies and develop best practice corporate governance standards.

Operational efficiencies

The IPH's IT group continues to develop strategic IT facilities to streamline services of the traditional operations of IPH businesses. Some of the key developments include:

- » moving to a largely paperless environment;
- » leveraging the established B2G interface with IP Australia and IPONZ; and
- » relocating IT operations to the offsite file servers in Sydney and Singapore.

We remain focused on maximising profitability through operational integration and business process improvements across the Group.

I am very proud of what we achieved to date and excited about the opportunities ahead of us and the direction IPH is heading. I would like to thank all employees for their contribution and dedication, our clients for entrusting us with their business and shareholders for their support in helping us to build a thriving business for the future.



David Griffith
Chief Executive Officer

BOARD OF DIRECTORS



RICHARD GRELLMAN, AM

Independent Non-Executive Chairman
FCA

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

Richard is also Chairman of Genworth Mortgage Insurance Limited, AMP Foundation and Bible Society Australia. Richard is a director of Bisalloy Steel Group Limited.

Richard worked for KPMG for 32 years, mostly within the Corporate Recovery Division and was a partner from 1982 to 2000



DAVID GRIFFITH

Managing Director and CEO
BE (Hons), Emeritus Member - IPTA

David Griffith was appointed CEO of IPH in November 2014, after successfully managing intellectual property (IP) firm Spruson & Ferguson, now subsidiary of IPH, for over 20 years. Under David's leadership Spruson & Ferguson became the first Australian IP firm to enter the Asian IP market with the opening of the firm's Singapore office in 1999 and joining what was the partnership of CPA Global.

After amendments to the Australian Patents Act in 2013 allowing for incorporation of patent attorney practices, in 2014 David led a successful \$AU330m IPO of IPH Limited (ASX: IPH), the first IP professional services group to list on the ASX. Since David's appointment IPH has completed five acquisitions and today is an S&P/ASX 200 company with market capitalisation in excess of \$AU1b.

From 2005 David served on the Board of Computer Patent Annuities Limited Partnership (CPA) in Jersey, Channel Islands until the company was sold to Private Equity in 2010.

David began his career as a patent and trade mark attorney when he joined Spruson & Ferguson in 1974. He was a Principal of the firm from 1981 and Managing Principal from 1999-2015. David was a founding director of Spruson & Ferguson Asia and has been Chairman since 2011. He is also the Chairman of Spruson & Ferguson and Director of Pizzeys, Fisher Adams Kelly Callinans, Cullens and Practice Insight.

BOARD OF DIRECTORS (continued)



JOHN ATKIN

Independent Non-Executive Director

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

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

John is Chairman of GPT Metro Office Fund and the Australian Outward Bound Foundation, a Non-Executive Director of Integral Diagnostics Limited and a member of the Board of the State Library of NSW Foundation.

John is a former CEO & Managing Director of The Trust Company Limited (2009-2013) prior to its successful merger with Perpetual Limited. John was also Managing Partner and Chief Executive of Blake Dawson (2002-2008). John also worked at Mallesons Stephen Jaques as a Mergers & Acquisitions Partner for 14 years (1987-2001).



ROBIN LOW

Independent Non-Executive Director

BCom, FCA

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

Robin is a director of AUB Group Limited, CSG Limited, Appen Limited, Sydney Medical School Foundation, Primary Ethics and the Public Education Foundation. She is also a member of the Auditing and Assurance Standards Board.

Robin worked at PricewaterhouseCoopers for 28 years and was a partner from 1996 to 2013.



SALLY PITKIN

Independent Non-Executive Director

PhD (Governance), LL.M, LL.B, FAICD

Sally was appointed as a Non-Executive Director in September 2014.

Sally is a non-executive director of Star Entertainment Group Limited, Link Group, and Super Retail Group Limited. Sally is the President Queensland Division of the Australian Institute of Company Directors, and member of the National Board.

Sally is a former corporate partner of the law firm Clayton Utz.





FINANCIAL REPORT

IPH ANNUAL REPORT 2016

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CORPORATE DIRECTORY

Directors	Mr Richard Grellman AM - Chairman Mr David Griffith Ms Robin Low Dr Sally Pitkin Mr John Atkin
Company secretary	Mr Philip Heuzenroeder
Notice of annual general meeting	The details of the annual general meeting of IPH Limited are: Wednesday 16 November at 10:30am at the offices of Ernst & Young 200 George Street Sydney NSW 2000
Registered office	Level 35 31 Market Street Sydney NSW 2000 Tel: 02 9393 0301 Fax: 02 9261 5486
Principal place of business	Level 35 31 Market Street Sydney NSW 2000
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Tel: 1300 554 474
Auditor	Deloitte Touche Tohmatsu Level 9, Grosvenor Place 225 George Street Sydney NSW 2000
Solicitors	Watson Mangioni Lawyers Pty Limited Level 13 50 Carrington Street Sydney NSW 2000
Stock exchange listing	IPH Limited shares are listed on the Australian Securities Exchange (ASX code: IPH)
Website	www.iphltd.com.au
Corporate Governance Statement	The Corporate Governance Statement was approved by the Board of Directors on 30 September 2016 and can be found at www.iphltd.com.au

DIRECTORS' REPORT

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 2016.

IPH Limited ("IPH", ASX:IPH), the holding company of intellectual property services firms Spruson & Ferguson, Fisher Adams Kelly Callinans, Pizeys and Cullens (from 30 June 2016) and data analytics software development company, Practice Insight. The group employs a multidisciplinary team of approximately 420 people in Australia, Singapore, Malaysia, Thailand, Indonesia, China and Germany.

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

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

1. Directors

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

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

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.
Other current directorships:	Richard is also Chairman of Genworth Mortgage Insurance Limited (2012), AMP Foundation (2012) and Bible Society Australia. Richard is also a Director of Bisalloy Steel Group Limited (2003).
Former directorships (last 3 years)	Chairman of Crowe Horwath Australasia Limited (2011 - 2015)
Interests in shares:	54,711
Special responsibilities:	Chairman

DIRECTORS' REPORT / Continued

JUNE 2016

Name:	David Griffith
Title:	Managing Director and Chief Executive Officer
Qualifications:	BE (Hons), Emeritus Member - IPTA
Experience and expertise:	<p>David Griffith was appointed CEO of IPH in November 2014, after successfully managing intellectual property (IP) firm Spruson & Ferguson, now subsidiary of IPH, for over 20 years. Under David's leadership Spruson & Ferguson became the first Australian IP firm to enter the Asian IP market with the opening of the firm's Singapore office in 1999 and joining what was the partnership of CPA Global.</p> <p>After amendments to the Australian Patents Act in 2013 allowing for incorporation of patent attorney practices, in 2014 David led a successful \$AU330m IPO of IPH Limited (ASX: IPH), the first IP professional services group to list on the ASX. Since David's appointment IPH has completed five acquisitions and today is an S&P/ASX 200 company with market capitalisation in excess of \$AU1b.</p> <p>From 2005 David served on the Board of Computer Patent Annuities Limited Partnership (CPA) in Jersey, Channel Islands until the company was sold to Private Equity in 2010.</p> <p>David began his career as a patent and trade mark attorney when he joined Spruson & Ferguson in 1974. He was a Principal of the firm from 1981 and Managing Principal from 1999-2015. David was a founding director of Spruson & Ferguson Asia and has been Chairman since 2011. He is also the Chairman of Spruson & Ferguson and Director of Pizzeys, Fisher Adams Kelly Callinans, Cullens and Practice Insight.</p>
Other current directorships:	No other current directorships
Interests in shares:	6,098,765
Special responsibilities:	None

Name:	Robin Low
Title:	Non-executive Director (appointed 23 September 2014)
Qualifications:	BCom, FCA, GAICD
Experience and expertise:	Robin worked at PricewaterhouseCoopers for 28 years and was a Partner from 1996 to 2013. She is also a member of the Auditing and Assurance Standards Board.
Other current directorships:	AUB Group Limited (2014), CSG Limited (2014), Appen Limited (2014), Sydney Medical School Foundation (2012), Primary Ethics (2011) and the Public Education Foundation (2010).
Interests in shares:	60,039
Special responsibilities:	Chairman - Audit Committee

Name:	Sally Pitkin , FAICD
Title:	Non-executive Director (appointed 23 September 2014)
Qualifications:	PhD (Governance), LLM, LLB, FAICD
Experience and expertise:	Sally is a former Corporate Partner of the law firm Clayton Utz. Sally is the President Queensland of the Australian Institute of Company Directors.
Other current directorships:	Non-executive Director of Star Entertainment Group Limited, Link Group and Super Retail Group Limited
Former directorships (last 3 years)	Non-executive director of Billabong International Limited (2012 – 2016)
Interests in shares:	52,518
Special responsibilities:	Chairman – Risk Committee

Name:	John Atkin
Title:	Non-executive Director (appointed 23 September 2014)
Qualifications:	LLB (1st Class Hons), BA (Pure Mathematics) (1st Class Hons)
Experience and expertise:	John is a former Chief Executive Officer and Managing Director of The Trust Company Limited (2009 - 2013). John was also Managing Partner and Chief Executive of Blake Dawson (2002 - 2008). He also worked at Mallesons Stephen Jaques as a Mergers & Acquisitions Partner for 14 years (1987 - 2001).
Other current directorships:	GPT Metro Office Fund (2014), Integral Diagnostics Limited (2015), The Australian Outward Bound Foundation (2007) and the State Library of NSW Foundation (2013).
Former directorships (last 3 years)	Managing Director of The Trust Company Limited (2009 - 2013), Non-executive director Aurizon Holdings Limited (2010 - 2016)
Interests in shares:	97,292
Special responsibilities:	Chairman - 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.

Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

DIRECTORS' REPORT / Continued

JUNE 2016

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 2016, and the number of meetings attended by each Director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Richard Grellman AM	13	13	-	-	-	-
David Griffith	13	13	-	-	-	-
Robin Low	12	13	2	2	4	4
Sally Pitkin	13	13	2	2	4	4
John Atkin	12	13	2	2	4	4

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

With effect from 29 April 2016 the Company's Audit and Risk Committee was renamed as the Audit Committee and a separate Risk Committee established. The Risk Committee did not meet in the year ended 30 June 2016.

2. Company secretary

Philip Heuzenroeder, BEc, LLB, LLM. Mr Heuzenroeder was appointed Group General Counsel and Company Secretary on 29 April 2016. He is a solicitor with over 20 years professional experience working in private practice and in-house, with experience in a broad range of areas of law including commercial law, competition law, ICT and intellectual property, and litigation. Philip was formerly a Principal of Spruson & Ferguson Lawyers and has been a director of the Cure Brain Cancer Foundation since 2013.

The previous Company Secretary was Malcolm Mitchell.

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, Asia and other countries; and
- » the development and provision of IP data and analytics software under the subscription licence model whereby the software is licensed and paid for on a recurring basis.

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

4. Operational and Financial Review

4.1 Operations and Financial Performance

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

The FY16 underlying earnings of the Group have been determined by adding back to statutory earnings amounts eliminating the effect of business acquisition adjustments, business acquisition costs, new business establishment costs, restructuring expenses and non-cash share based payments expenses and in the previous corresponding period to also eliminate the effects of the IPO and restructuring of the Group. The Directors believe these adjustments show the operational results of the Group on the basis of how it has been constituted since the restructuring in late 2014.

	Revenue FY16	Revenue FY15	Chg%	EBITDA FY16	EBITDA FY15	Chg%
Australian IP	93,258	53,592	74%	42,286	23,583	79%
Asian IP	54,322	42,919	27%	26,940	21,139	27%
	147,580	96,511	53%	69,226	44,722	55%
Data Services	397	104		(762)	4	
Corporate Office	63	427		(3,425)	(2,246)	
Eliminations	(4,911)	(2,532)				
Underlying Revenue / EBITDA	143,129	94,510	52%	65,039	42,480	52%
Business acquisition costs				(2,092)	(310)	
Business combination adjustments (net)				(338)	-	
New business establishment costs				(1,064)	-	
Restructuring expenses				(1,231)	(505)	
Share based payments				(844)	(495)	
IPO Costs				-	(3,499)	
IPO Proforma	-	(700)		-	800	
Statutory Revenue / EBITDA	143,129	93,810	53%	59,476	38,471	55%
Interest Income				534	100	
Interest Expense				(1,530)	(623)	
Depreciation and amortisation				(7,164)	(1,062)	
Net Profit Before Tax				51,310	36,886	39%

Overall underlying revenue has grown by \$50m to \$143.1m, an increase of 52%. The key drivers are:

- » Australian IP growth of \$39.7m (74%) reflects the impact of a full year of operation of the Fisher Adams Kelly business acquired in the prior financial year (\$21.8m in revenues); the acquisition of Pizzey's on 30 September 2015 (which contributed revenue of \$15.0m); the acquisition of the assets of Callinans Patent & Trade Mark Attorneys which was quickly integrated into the FAK business; and general underlying organic growth. The America Invents Act also resulted in an increase in patent filings during the year.
- » Asian IP revenues increased by \$11.4m (27%) which reflects organic growth in the Asia market as well as beneficial foreign exchange rates (refer table below). Revenue growth also arose due to the Group opening offices in Indonesia and Thailand during the year as part of a continued expansion in the key Asian markets.
- » The data services business recorded sales of \$0.4m as it commenced the rollout of its products.

DIRECTORS' REPORT / Continued

JUNE 2016

Movements in FX Rates

Average foreign rates used to translate earnings balances were:

	AUD/USD	AUD/EUR	SGD/AUD
FY15	0.8391	0.6968	1.0987
FY16	0.7286	0.6564	1.0122
Movement	13.2%	5.7%	7.9%

4.1.1 Adjustments to Statutory Results

Adjustments to the statutory EBITDA have been made for:

- » **Business acquisition costs** – costs incurred in the pursuit of acquisitions which have been completed or are currently in progress
- » **Business combination adjustments** – P&L impact of the revaluation of earn-out agreements for the Pizzeys and Callinans acquisitions
- » **New business establishment costs** – cost of establishing offices in China, Indonesia and Thailand
- » **Restructuring expenses** – costs associated with the restructuring of Callinans including closure of the office in Melbourne, as well as the one-time impact on executive leave balances as a result of the corporatisation of the businesses
- » **Share based payments** – accounting charges for the share based incentive plans.

Underlying EBITDA, which excludes the adjustments above, increased by \$22.6m (53%). Statutory EBITDA increased by \$21m (55%). The negative EBITDA of the Data Services business reflects the rollout phase of the product.

The significant increase in Depreciation and Amortisation is due to the amortisation of intangible assets arising from acquisitions (\$5.0m).

Net profit before tax increased by \$14.4m, an improvement of 39% over the prior corresponding period.

4.2 Statement of Financial Position

Consolidated Balance Sheets

	Reported Balance Sheet as at 30 June 2016	Reported Balance Sheet as at 30 June 2015
\$'m		
Cash and cash equivalents	58.5	5.4
Trade and other receivables	38.0	27.4
Other current assets	3.9	2.1
Total current assets	100.4	34.9
PP&E	4.3	2.1
Acquisition intangibles & goodwill	190.2	33.6
Deferred tax asset	3.1	2.0
Other non-current assets	0.0	0.0
Total assets	298.0	72.6
Trade and other payables	13.9	10.0
Loans and borrowings	0.0	10.5
Tax provisions	6.9	5.7
Deferred acquisition liability	28.3	5.0
Other liabilities	27.1	6.2
Total liabilities	76.2	37.4
Net assets	221.8	35.2
Equity		
Issued capital	218.6	35.3
Reserves	(13.2)	(14.6)
Retained profits	16.4	14.5
Total equity	221.8	35.2

The quantum of most balance sheet captions have increased as a result of the acquisitions and capital raising that took place during the year. A summary of specific key movements are as follows:

- » The increase in cash is primarily due to the capital raising undertaken in November 2015. \$50m of cash has been utilised for current year acquisitions, as well as the repayment of \$10.5m in borrowings. The Group has undrawn bank facilities of \$95m at its disposal.
- » The Group generated positive cash flows from operating activities of \$42.1m.
- » As at 30 June 2016 the cash balance was denominated in AUD (49%), USD (43%), other (8%).
- » The significant increase in intangible assets arises from the acquisition of Pizzeys Patent & Trade Mark Attorneys Pty Ltd ("Pizzeys"), Callinans Patent and Trade Mark Attorneys ("Callinans"), Cullens Pty Ltd and Cullens Services No.1 Pty Ltd ("Cullens").
- » Identifiable intangible assets consist of customer relationships \$63.5m, trademarks \$3.5m and software of \$3.8m.

- » Goodwill resulting from the acquisitions is \$124.1m.
- » The deferred acquisition liability includes \$4.5m of cash consideration for the purchase of Cullens and deferred acquisition costs of \$23.7m arising from earn out payments on completion of acquisition of the acquired entities. This represents the fair value of the expected earn outs at 30 June and are payable within the next 12 months.
- » Other liabilities include deferred tax liabilities of \$17.4m arising on the identifiable intangible assets on acquisitions.
- » Issued capital reflects \$108m issued through a capital raising and \$71m issued in consideration for acquisitions.

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 in intellectual property services ("IPS") and IP data analytics software ("AS") sectors.

In IPH's IPS businesses, 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 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.

Practice Insight ("AS" sector) generates revenue from the sale of its products directly or through a third party under an annual subscription licence model.

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 and Performance

From the Company's foundation and listing on the ASX in November 2014, IPH has pursued the vision of becoming the leading IP group in worldwide secondary¹⁾ markets and adjacent areas of IP.

Since its initial public offering, IPH has grown into the industry leader through a combination of organic growth initiatives, strategic acquisitions and operational improvements including:

- » Consolidating the Australian IP market by acquiring four IP services firms in Australia.
- » Acquiring an IP data and analytics software development company.
- » Expanding its presence in existing and new markets in Asia:
 - opening a Pizzeys office in Singapore;
 - additional Spruson & Ferguson offices in Shanghai (China), Indonesia and Thailand;
 - receiving approval for Wholly Owned Foreign Entities in Shanghai and Beijing; and
 - strengthening capabilities of Fisher Adams Kelly Callinans and Pizzeys in Asia.
- » Strengthening the company's management team with key appointments.
- » Maximising future operational efficiencies by integrating (merging) practices of Fisher Adams Kelly (FAK) and Callinans.

Value creating growth strategies

IPH's primary and ongoing objective is to deliver sustainable growth and value to shareholders through the following strategies:

- » growth within the existing businesses and markets;

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

- » expansion to other secondary IP markets where IPH currently has little or no exposure by accretive acquisitions or establishment of new offices;
- » entering new adjacent areas of IP by acquisition and/or organic growth; and
- » continue to improve operational efficiencies, quality control and governance through technological innovation, sound management and the leadership team.

Organic growth within existing businesses and markets

A key objective of all IPH businesses is to grow market share and revenue in the existing markets by leveraging existing and developing new business' core strengths and capabilities.

Expansion to other secondary IP markets where IPH currently has little or no exposure

IPH already has an extensive footprint in Asia-Pacific with offices in six countries across the region. Given the size and growth of the Asian IP market, IPH will continue to pursue expansion opportunities in the region. IPH is also exploring opportunities in other IP secondary markets.

Entering new adjacent areas of IP

Over the past 40 years the IP industry observed the rise of non-traditional IP service providers offering alternative ways of servicing and delivering value to clients through technology and data-driven business models. With the acquisition of Practice Insight, one of the few companies in the world with access to "big IP data", IPH is well positioned to enter adjacent markets and capitalise on disruptive innovation. IPH continuously explores opportunities in the adjacent IP markets.

Continue to improve efficiencies, quality control and governance

IPH will continue to focus on operational efficiencies, financial discipline, quality assurance and responsible governance at the group and subsidiary level, maximizing returns for shareholders.

Key drivers and core values

IPH is committed to building and growing a thriving business for the future.

From our origins in 1887 as Spruson & Ferguson, IPH's success is underpinned by key drivers and values at the core of our business, 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

Excellence in service delivery

Delivering the highest quality of services in a professional, timely and cost-effective manner to our clients, meeting their needs and exceeding their expectations, is embedded in our day-to-day practice and culture.

Innovation in value creation

Strategic innovation is the cornerstone of our past success and future growth. We will continue to seek innovative ways to deliver value to our clients, shareholders and stakeholders.

Integrity in business practices

We are committed to the highest level of integrity in business practices. All IPH businesses and their employees are expected to act honestly and ethically in compliance with all applicable laws, regulations and codes of conduct.

Efficiency and effectiveness in operations

We are focused on maximizing profitability through operational integration and business process improvements at group and subsidiary level.

Empowerment and engagement of our people

Our people are our most valuable asset and the key to the success of our business. We are committed to ensuring that our people strategies and culture are aligned with our goals and values and continue to drive our long-term success.

4.3.3 Outlook

The Group's Australian & Asian businesses are expected to continue growing in line with underlying market trends. In FY17 an incremental earnings contribution will be received from new businesses acquired in the last year and there will also be incremental Asian growth as new offices ramp up through the year. The Data and Analytics Software segment will see an increased level of investment.

We expect there will be expansion into new secondary IP markets where IPH currently has little or no exposure through accretive acquisitions and/or establishment of new offices, and entering adjacent areas of IP by acquisition and/or organic growth.

4.4 Risks

Risk	Description	Management of Risk
Competition	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.	Effective client service, comprising a high level of expertise at competitive prices delivered in a timely manner. All operations of the IPH Group are now or will be supported by industry leading IT systems. Regular marketing visits to maintain and develop client relationships. IPH provides a broader range of intellectual property services than its competitors.
Regulatory environment	The Company is subject to significant regulatory and legal oversight.	Senior executives ensure that all regulatory and legal issues affecting IPH's business are monitored and that any changes to the business operations necessary to comply with regulatory and legal changes are undertaken in a timely manner. Careful management and oversight of the Group's internal case management system. Principal review of all professional work and compliance with a professional work approval matrix for outgoing work. The approval matrix is correlated to the complexity and level of potential risk associated with the work.

Risk	Description	Management of Risk
Regulatory reforms	The Group's service offerings are subject to changes to government legislation, regulation and practices including particularly, if implemented, proposals to streamline multi-jurisdictional patent filing and examination processes.	The Company seeks to offer its services in a range of secondary markets. Many of these markets have less developed IP regulations and systems, and require translations into languages other than English, and are therefore less likely to be affected by such proposals if they were to be implemented than developed or primary markets. Other factors which help safeguard the company's role are effective technology, excellent client service and efficient operations and the likely need for IP applicants to continue to be required to record a local address for service of documents with the local IP office for examination and prosecution purposes. The Company also continues to seek to develop revenue streams from adjacent markets.
Personnel	The Company depends on the talent and experience of its personnel. The loss of any key personnel, or a significant number of personnel generally may have an adverse effect on the Company. Employee costs represent a significant component of the Group's total cost base.	Retention practices including appropriate remuneration, incentive programmes (both short and long term), retention awards, working environment and rewarding work. Careful management of staff numbers and salary levels and consideration of resourcing requirements as the Company grows.
Disintermediation	The Group acts as an intermediary agent between its clients and IP offices. This 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.	IPH's intermediary role is safeguarded by clients' reliance on the Group's expertise (both general IP expertise and local expertise) and regulatory barriers such as exclusive rights of patent attorneys to provide various IP related services and requirements for IP applicants to record a local address for service of documents with the local IP office. Other factors which help safeguard the company's intermediary role are effective technology, excellent client service and efficient operations.
Case management and technology systems	The Group's internally customised systems represent an important part of its operations	The Company has established business continuity plans and procedures and maintains system back up and maintenance processes. The Company continually invests in system enhancements and engages quality 3rd party suppliers to assist with its systems developments. The Company's transition of its IT systems to offsite 'cloud-based' systems has enabled centralised oversight and standardisation of processes.

DIRECTORS' REPORT / Continued

JUNE 2016

Risk	Description	Management of Risk
Concentration of shareholding	Following completion of the listing, former owners held approximately 49.8% of the shares, which are covered under the current escrow arrangements for 2 years from listing.	At the end of the escrow period there may be a significant number of former owners who wish to sell down some of their IPH shareholding. The Company plans to manage the risk posed to IPH's share price by seeking to facilitate any significant sell down that may be determined by former owners by means of a share placement. To ensure widespread investor support the Company undertakes an extensive programme of investor presentations.
Foreign exchange risk	The Group's financial reports are prepared in Australian dollars. However, a substantial proportion of the Group's sales revenue, expenditure and cash flows are generated in, and assets and liabilities are denominated in US dollars, Euros and Singapore dollars.	The Company monitors the foreign currency exposures that arise from its foreign currency revenue, expenditure and cash flows and from the foreign currency assets and liabilities held on its balance sheet. The Company undertakes regular sensitivity analyses of these exposures. The Company has foreign currency hedging facilities available as part of its bank facilities. The Chief Financial Officer regularly reports to the Board in respect of the Company's foreign exposures. The Board reviews its hedging policy in respect of the foreign currency exposures from time to time. Currently the Group does not hedge against its foreign currency exchange risk.
Conflict of duties	Patent and trademark attorney's 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 shareholders and the short term profitability of IPH.	Conflict of interest advice obtained from outside Counsel from which the Group has developed a comprehensive conflict of interest policy.
Professional liability and uninsured risks	The provision of patent and trademark services and legal services by the Company gives rise to the risk of potential liability for negligence or other similar client or third party claims	<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>

Risk	Description	Management of Risk
Acquisitions	The Company's growth strategy involves the acquisition of other intellectual property businesses. Risks arise in ensuring that all issues affecting the value of individual acquisitions are identified and reflected in the purchase considerations. After acquiring a new business, risks arise in ensuring the business is properly integrated into the IPH Group	The Company undertakes an extensive due diligence process covering all relevant matters relating to each acquisition target. Where appropriate, the Company engages competent professional experts to assist with the due diligence process. For each acquisition the Company requires comprehensive legal contracts to be completed with the vendors. The contracts include appropriate indemnities and warranties and employment arrangements with key individuals. For most acquisitions part of the consideration is paid in the form of IPH shares which are required to be escrowed for up to two years. Management keeps the Board closely informed throughout each acquisition process and seeks the Non-executive Directors' counsel where appropriate. The Board conducts a formal detailed review of each acquisition prior to giving its final approval. After completing an acquisition, processes are undertaken to review standards of governance, compliance with IPH policies and procedures, and levels of financial control and reporting, and where necessary brought into line with Group standards.

5. Remuneration report (audited)

Introduction from the Nomination and Remuneration Committee Chair

Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Report for FY16.

The Company's current remuneration framework was developed in the context of the Company's IPO in November 2014. Many of the features of the current remuneration framework for the Company reflect the particular circumstances of the Company's transition from a private firm which operated as a unit trust to a public listed company, particularly the very significant continuing equity ownership held by the CEO and a number of the other Principals.

The most significant change to this framework in the current year has been to move the remuneration of Key Management Personnel (KMP) from the amount in their individual executive service agreements entered into on listing, towards appropriate industry benchmarks for the roles which they have taken on. These changes took effect from 1 January 2016. The Company continues to review its remuneration framework for all its executives and professional staff, including KMP, to ensure that on an ongoing basis the Company is able to attract, motivate and retain the talent necessary to run the business and drive behaviour that aligns with the creation of sustainable shareholder value. Details of any revisions to the remuneration framework will be disclosed in the remuneration report for FY17.

We look forward to your continued support and welcome your feedback on our remuneration report for FY16.

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 headings:

- » 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, and conforms to the market best practice for the delivery of reward. 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 human resources objectives. The performance of the Group depends on the quality of its Directors and other KMP. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

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:

- » has economic profit as a core component of plan design;
- » focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets 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.

At the time of the IPO, the CEO and 18 of Spruson & Ferguson Principals continued to hold very significant equity interests in the Company during the escrow period. Other than David Griffith the CEO, Dr Andrew Blattman (CEO, Spruson & Ferguson) and Kristian Robinson (Managing Director, Spruson & Ferguson Asia), these Principals are not deemed key management personnel.

As of 1 January 2016, the CEO, Dr Andrew Blattman (CEO, Spruson & Ferguson) and Kristian Robinson (Managing Director, Spruson & Ferguson Asia), entered into new executive service agreements to accurately reflect their roles in the company.

The change in remuneration was determined with reference to independent benchmarking data.

As foreshadowed at the time of listing, the Board will continue to review these arrangements and may modify them for later financial years.

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 has two components:

- » base pay 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.

No KMP have been granted options or performance rights over shares during the year ended 30 June 2016.

5.3 Company performance

For the year to 30 June 2016 there was no link between Company performance and KMP remuneration. However, each of the three executive members of the KMP who were ex-trustees (i.e. David Griffith the CEO, Dr Andrew Blattman and Kristian Robinson) continue to hold a substantial shareholding thereby providing a significant alignment of interests with company performance. Each of these executive KMP have had their executive service agreements, particularly their base pay, amended to reflect their roles in the Group.

For the year ended 30 June 2016, the earnings per share were 21.92 cents (2015:19.51 cents). Shares in the company closed on 30 June 2016 at \$6.42 (2015: \$4.70 per share).

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.

DIRECTOR'S REPORT / Continued

JUNE 2016

Non-executive Director Fees (Directors' fees and committee fees) (inclusive of superannuation) proposed for the year ending 30 June 2017 is summarised as follows:

Name - Position	FY 2017 Fees
Richard Grellman AM - Chairman	\$190,000
Robin Low - Director	\$90,000
Sally Pitkin - Director	\$90,000
John Atkin - Director	\$90,000

The non-executive Directors are not entitled to participate in any employee incentive scheme (including the LTIP). However, as disclosed at the time of the company's IPO, Richard Grellman and Robin Low have elected to receive 20% of their fees in the form of shares, which are purchased on the market by the Company. The price of shares purchased in the year was \$5.01 and \$6.73, which reflected the market price at the time they were acquired.

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 remuneration disclosures for the KMP of the Group are as follows:

- » The 2015 disclosures represents nine months (the period from 2 October 2014 to 30 June 2015) of IPH Limited and three months of the KMP of the Spruson & Ferguson Unit Trust.

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

- » Richard Grellman, AM - Non-executive Chairman
- » David Griffith - Managing Director and Chief Executive Officer
- » Robin Low - Non-executive Director
- » Sally Pitkin - Non-executive Director
- » John Atkin - Non-executive Director

And the following persons:

- » Malcolm Mitchell - Group Chief Financial Officer;
- » Andrew Blattman - Chief Executive Officer, Spruson & Ferguson Pty Limited
- » Kristian Robinson - Managing Director, Spruson & Ferguson Asia Pte Limited

		Short-term benefits			Post employment benefits	Long-term benefits	Share-based payments	
		Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Employee leave \$	Equity-settled \$	Total \$
Non-Executive Directors:								
Richard Grellman	2016	177,854	-	-	12,146	-	-	190,000
	2015	130,535	-	-	12,401	-	49,999	192,935
Robin Low	2016	82,192	-	-	7,808	-	-	90,000
	2015	65,437	-	-	6,217	-	49,999	121,653
Sally Pitkin	2016	82,192	-	-	7,808	-	-	90,000
	2015	65,437	-	-	6,217	-	49,999	121,653
John Atkin	2016	82,192	-	-	7,808	-	-	90,000
	2015	65,437	-	-	6,217	-	49,999	121,653
Executive Directors:								
David Griffith	2016	480,954	-	-	19,308	251,071	-	751,333
	2015	199,723	-	-	21,599	13,149	-	234,471
Former Executive Directors:								
Greg Turner *	2015	46,629	-	-	3,253	78,844	-	128,726
Robert Miller*	2015	27,394	-	-	2,602	-	-	29,996
Other Key Management Personnel:								
Malcolm Mitchell	2016	328,500	-	-	-	-	-	328,500
	2015	175,500	-	-	-	-	-	175,500
Andrew Blattman	2016	356,554	-	-	23,455	65,859	-	445,868
	2015	199,223	-	-	20,000	16,443	-	235,666
Kristian Robinson	2016	347,266	-	-	-	35,664	-	382,930
	2015	316,426	-	-	-	27,367	-	343,793
Former Key Management Personnel:								
Carole Campbell*	2015	225,541	-	-	19,984	-	-	245,525

* Represents remuneration to date of resignation

DIRECTORS' REPORT / Continued

JUNE 2016

5.6 Service agreements

Remuneration and other terms of employment for KMP are formalised in service agreements with the exception of the Chief Financial Officer. Details of these agreements are as follows:

Name:	David Griffith
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	17 November 2014
Term of agreement:	3 years

Name:	Andrew Blattman
Title:	Chief Executive Officer, Spruson & Ferguson Pty Limited
Agreement commenced:	17 November 2014
Term of agreement:	3 years

Name:	Kristian Robinson
Title:	Managing Director, Spruson & Ferguson Asia Pte Limited
Agreement commenced:	17 November 2014
Term of agreement:	3 years

KMP may terminate their employment contract by giving six months' notice in writing and the contract 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 by notice in writing and without payment in lieu of notice. Upon the termination of the employment contract, the KMP will be subject to a restraint of trade period of 12 months throughout Australia, New Zealand and Asia. 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. KMP's receive five weeks annual leave, with the exception of non-executive directors.

5.7 Additional disclosures relating to key management personnel

In accordance with Class Order 14/632, issued by the Australian Securities and Investments Commission, relating to 'Key management personnel equity instrument disclosures', 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 2016	Balance at the start of the year	Additions	Disposals	Balance at the end of the year
Ordinary shares				
Richard Grellman	48,791	5,920	-	54,711
Robin Low	48,190	11,849	-	60,039
Sally Pitkin	47,618	4,900	-	52,518
John Atkin	95,238	2,054	-	97,292
David Griffith	6,098,765	-	-	6,098,765
Malcolm Mitchell	-	10,000	-	10,000
Andrew Blattman	5,911,111	95,055	-	6,006,166
Kristian Robinson	3,876,172	62,819	-	3,938,991
	16,125,885	192,597	-	16,318,482

30 June 2015	Balance at the start of the year (units)	Unit subdivision and conversion to shares	Received as part of remuneration (listing fee)	Additions	Disposals (incl notional disposal)	Balance at the end of the year
Ordinary shares						
Richard Grellman	-	-	23,809	24,982	-	48,791
Robin Low	-	-	23,809	24,381	-	48,190
Sally Pitkin	-	-	23,809	23,809	-	47,618
John Atkin	-	-	23,809	71,429	-	95,238
Greg Turner*	30	15,000,000	-	-	15,000,000	-
Robert Miller*	16	8,350,000	-	-	8,350,000	-
David Griffith	33	16,425,000	-	-	10,326,235	6,098,765
Malcolm Mitchell	-	-	-	-	-	-
Andrew Blattman	19	9,775,000	-	469,136	4,333,025	5,911,111
Kristian Robinson	1	1,225,000	-	6,542,468	3,891,296	3,876,172
Carole Campbell*	-	-	-	23,810	23,810	-
	99	50,775,000	95,236	7,180,015	41,924,366	16,125,885

* Disposals/other may represent 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

There were no performance rights issued to each Director and other members of key management personnel of the Group.

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	510,047	Ordinary	0.00	Sept 2017 and Sept 2018
IPH Limited	Retention	306,154	Ordinary	0.00	Up to July 2018

7. Shares under option

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

8. Dividends

Dividends paid during the financial year were as follows:

Final dividend of 10.0 cents per share for the year ended 30 June 2015, paid on 7 October 2015 (franked to 5.0c).	16,341
Interim dividend of 11.0 cents per share for the year ended 30 June 2016, paid on 23 March 2016 (franked to 8.8c).	20,496

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

Apart from the dividend declared, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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 30 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 30 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 Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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.



David Griffith
Managing Director

18 August 2016
Sydney

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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

18 August 2016

Dear Board Members

IPH Limited

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

As lead audit partner for the audit of the consolidated financial statements of IPH Limited and its controlled entities for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Tara Hill
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE 2016

	Note	Consolidated	
		30 June 2016 \$'000	30 June 2015 \$'000
Revenue	5	140,040	88,716
Other income	6	3,623	5,202
Expenses			
Employee benefits expense		(39,657)	(27,026)
Depreciation and amortisation expenses	7	(7,164)	(1,062)
Rental expenses	7	(4,729)	(2,908)
Restructure and formation expenses		-	(3,499)
Business acquisition costs		(3,133)	(310)
Agent fee expenses		(27,356)	(15,374)
Insurance expenses		(533)	(347)
Travel expenses		(1,410)	(533)
Printing & stationery expenses		(446)	(266)
Other expenses		(6,395)	(5,084)
Finance costs	7	(1,530)	(623)
Profit before income tax expense		51,310	36,886
Income tax expense	8	(12,467)	(6,297)
Profit after income tax expense for the year		38,843	30,589
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		505	43
Other comprehensive income for the year, net of tax		505	43
Total comprehensive income for the year		39,348	30,632
Profit for the year is attributable to:			
Non-controlling interest		-	274
Owners of IPH Limited		38,843	30,315
		38,843	30,589
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	274
Owners of IPH Limited		39,348	30,358
		39,348	30,632
Earnings per share			
From continuing operations			
Basic earnings (cents per share)	39	21.92	19.51
Diluted earnings (cents per share)	39	21.70	19.48

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2016

	Note	Consolidated	
		30 June 2016 \$'000	30 June 2015 \$'000
Current assets			
Cash and cash equivalents	9	58,761	5,346
Trade and other receivables	10	37,919	27,410
Other	11	3,678	2,124
Total current assets		100,358	34,880
Non-current assets			
Available-for-sale financial assets	12	29	29
Property, plant and equipment	13	4,350	1,188
Intangibles	14	190,156	34,525
Deferred tax	15	3,087	1,972
Total non-current assets		197,622	37,714
Total assets		297,980	72,594
Current liabilities			
Trade and other payables	16	13,924	9,978
Income tax		6,933	5,664
Provisions	17	6,328	4,705
Other	18	4,554	4,950
Other financial liabilities	19	25,462	-
Deferred revenue		1,195	1,162
Total current liabilities		58,396	26,459
Non-current liabilities			
Borrowings	20	-	10,550
Deferred tax	15	17,399	-
Provisions	21	373	407
Total non-current liabilities		17,772	10,957
Total liabilities		76,168	37,416
Net assets		221,812	35,178
Equity			
Issued capital	22	218,583	35,305
Reserves	23	(13,238)	(14,588)
Retained profits	24	16,467	14,461
Equity attributable to the owners of IPH Limited		221,812	35,178
Non-controlling interests	25	-	-
Total equity		221,812	35,178

The above statement of financial position should be read in conjunction with the accompanying notes.

	Issued Capital \$'000	Foreign Currency Translation Reserve \$'000	Minority Interest Acquisition Reserve \$'000	Equity Settled Employee Benefits Reserve \$'000	Retained Profits \$'000	Parent \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2014	420	(276)	(4,472)	-	3,933	(395)	543	148
Profit after income tax expense for the year	-	-	-	-	30,315	30,315	274	30,589
Effect of foreign exchange differences	-	43	-	-	-	43	-	43
Total comprehensive income for the year	-	43	-	-	30,315	30,358	274	30,632
<i>Transactions with owners in their capacity as owners</i>								
Net conversion of units	451	-	-	-	-	451	-	451
Issue of ordinary shares	321	-	-	-	-	321	-	321
Issue of ordinary shares as consideration for a business combination, net of transaction costs	22,759	-	-	-	-	22,759	-	22,759
Share-based payments	-	-	-	495	-	495	-	495
Acquisition of non-controlling interest	11,354	-	(10,378)	-	-	976	(159)	817
Distributions to trust unit holders	-	-	-	-	(14,273)	(14,273)	-	(14,273)
Dividends paid (note 26)	-	-	-	-	(5,514)	(5,514)	(658)	(6,172)
Balance at 30 June 2015	35,305	(233)	(14,850)	495	14,461	35,178	-	35,178
Balance at 1 July 2015	35,305	(233)	(14,850)	495	14,461	35,178	-	35,178
Profit after income tax expense for the year	-	-	-	-	38,843	38,843	-	38,843
Effect of foreign exchange differences	-	505	-	-	-	505	-	505
Total comprehensive income for the year	-	505	-	-	38,843	39,348	-	39,348
<i>Transactions with owners in their capacity as owners:</i>								
Contributions of equity, net of transaction costs (note 22)	109,150	-	-	-	-	109,150	-	109,150
Issue of ordinary shares as consideration for a business combination, net of transaction costs (note 35)	71,078	-	-	-	-	71,078	-	71,078
Dividend Reinvestment plan	3,050	-	-	-	-	3,050	-	3,050
Share-based payments	-	-	-	845	-	845	-	845
Dividends paid (note 26)	-	-	-	-	(36,837)	(36,837)	-	(36,837)
Balance at 30 June 2016	218,583	272	(14,850)	1,340	16,467	221,812	-	221,812

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2016

	Note	Consolidated	
		30 June 2016 \$'000	30 June 2015 \$'000
Cash flows from operating activities			
Receipts from customers		151,164	97,152
Payments to suppliers and employees		(94,976)	(60,284)
Interest received	6	534	100
Interest and other finance costs paid	7	(1,530)	(623)
Income taxes paid		(13,137)	(4,780)
Net cash from operating activities	38	42,055	31,565
Cash flows from investing activities			
Payments for purchase of subsidiaries, net of cash acquired	35	(49,571)	(3,211)
Payments for property, plant and equipment	13	(2,564)	(595)
Payments for internally developed software	14	(731)	(652)
Dividends received		-	112
Net cash used in investing activities		(52,866)	(4,346)
Cash flows from financing activities			
Proceeds from issue of shares		108,454	-
Distributions paid to previous owners		-	(21,296)
Dividends paid	26	(33,786)	(5,514)
Proceeds of borrowings		-	10,550
Repayment of borrowings		(10,550)	(9,579)
Net cash used in financing activities		64,118	(25,839)
Net increase/(decrease) in cash and cash equivalents		53,307	1,380
Cash and cash equivalents at the beginning of the financial year		5,346	4,321
Effects of exchange rate changes on cash and cash equivalents		108	(355)
Cash and cash equivalents at the end of the financial year	9	58,761	5,346

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

30TH JUNE 2016

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 35, 31 Market 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 18 August 2016.

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 34.

Note 2. Significant accounting policies (continued)

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

Note 2. Significant accounting policies (continued)

Foreign currency translation (continued)

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

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

Revenue recognition

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

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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. Revenue from trust distributions is recognised when the right to receive a distribution 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).

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

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

Work in progress

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

Disbursements recoverable

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

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

Income Tax

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

Current tax

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

Note 2. Significant accounting policies (continued)

Income Tax (continued)

Deferred tax

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

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

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

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

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

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

Current and deferred tax for the period

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

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

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

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

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

Cash and cash equivalents

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

Note 2. Significant accounting policies (continued)

Trade and other receivables

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

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

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

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.

Financial instruments

Loans and receivables

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

Available-for-sale financial assets

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

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.

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 company recognises impairment losses.

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.

Note 2. Significant accounting policies (continued)

Property, plant and equipment (continued)

However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if 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 and are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset 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;

Note 2. Significant accounting policies (continued)

Intangible assets (continued)

Internally-generated intangible assets - research and development expenditure (continued)

- » 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 intangible assets are as follows:

Software	3-5 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.

Note 2. Significant accounting policies (continued)

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.

Borrowings 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.

Note 2. Significant accounting policies (continued)

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 28). Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

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

Issued capital

Ordinary shares are classified as equity.

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

Dividends

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

Business combinations

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

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities

Note 2. Significant accounting policies (continued)

Business combinations (continued)

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 acquirer 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 acquirer 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 Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

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

AASB 9 Financial Instruments

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

AASB 15 Revenue from Contracts with Customers

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

AASB 16 Leases

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

Other amending accounting standards issued are not considered to have a significant impact on the financial statements of the consolidated entity as their amendments provide either clarification of existing accounting treatment or editorial amendments. These standards (and their operative dates) include:

- » AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (from 1 January 2016)
- » AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle (from 1 January 2016)
- » AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (from 1 January 2016)
- » AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 107 (from 1 January 2018)
- » IFRS 2 Share-based payment – amendments clarifying how to account for certain types of share-based payment transactions (from 1 January 2018)

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.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Goodwill and other indefinite life intangible assets

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

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

Business combinations

The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 4. Operating segments

Identification of reportable operating segments

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

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

The CODM reviews profit before interest, income tax and adjustments to the statutory reported results. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

Intersegment transactions

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

Comparative Information

The 30 June 2015 comparatives have been represented to reflect the updated operating segments.

Note 4. Operating segments (continued)

Consolidated	Intellectual Property Services				Data and Analytics Software		Corporate		Intersegment eliminations / unallocated		Total	
	Australia		Asia		2016	2015	2016	2015	2016	2015	2016	2015
	2016	2015	2016	2015								
Revenue												
Sales to external customers	85,238	47,297	54,799	41,897	-	-	-	-	-	(478)	140,037	88,716
Intersegment sales	1,729	265	6	116	-	-	-	-	(1,735)	(381)	-	-
Total sales revenue	86,967	47,562	54,805	42,013	-	-	-	-	(1,735)	(859)	140,037	88,716
Other revenue	6,291	6,996	(483)	906	397	104	63	427	(3,176)	(3,331)	3,092	5,102
Total revenue	93,258	54,558	54,322	42,919	397	104	63	427	(4,911)	(4,190)	143,129	93,818
Less: Overheads	(50,972)	(31,755)	(27,382)	(21,780)	(1,159)	(100)	(3,997)	(1,212)	5,420	4,309	(78,090)	(50,538)
Earnings before interest, tax, depreciation and amortisation (EBITDA), before adjustments	42,286	22,803	26,940	21,139	(762)	4	(3,934)	(785)	509	119	65,039	43,280
Less: Depreciation	(692)	(457)	(590)	(282)	(244)	-	(606)	(323)	-	-	(2,132)	(1,062)
Less: Amortisation	(3,924)	-	-	-	(1,108)	-	-	-	-	-	(5,032)	-
Segment result: (Profit before interest, tax and adjustments)	37,670	22,346	26,350	20,857	(2,114)	4	(4,540)	(1,108)	509	119	57,875	42,218
Reconciliation of segment result												
Segment result											57,875	42,218
Adjustments to statutory result:												
Business acquisition costs											(2,092)	(310)
Business acquisition adjustments											(338)	-
New business establishment costs											(1,064)	-
Restructuring expenses											(1,231)	(505)
Share based payments											(844)	(495)
IPO Costs											-	(3,499)
Total adjustments											(5,569)	(4,809)
Interest income											534	100
Finance Costs											(1,530)	(623)
Profit for the period before income tax expense											51,310	36,886
Reconciliation of segment revenue												
Segment revenue											143,129	93,818
Interest income											534	100
Total revenue											143,663	93,918

Note 5. Revenue

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Sales revenue		
Revenue from the rendering of services	140,040	88,716
	140,040	88,716

Note 6. Other Income

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Distributions from related party	-	112
Net Realised foreign exchange gain	1,363	1,821
Net unrealised foreign exchange (loss)/gain	(409)	1,299
Other income	679	350
Commission	1,456	1,491
Consulting fees	-	29
Interest	534	100
	3,623	5,202

Note 7. Expenses

Profit before income tax includes the following specific expenses:

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Depreciation	1,336	1,062
Amortisation	5,828	-
	<u>7,164</u>	<u>1,062</u>
Share based payments	845	495
Superannuation expense	2,931	2,069
Deferred acquisition costs remeasurement	(632)	-
Business acquisition impairment - customer relationships	961	-

Profit before income tax includes the following specific expenses:

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Finance costs		
Interest on bank facilities	3	285
Other interest expense	1,527	338
	<u>1,530</u>	<u>623</u>
Rental expense relating to operating leases		
Minimum lease payments	4,729	2,908

Note 8. Income Tax Expense

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Income tax expense		
Current tax	14,046	7,938
Deferred tax	(1,574)	(1,641)
(Over) provided in prior years	(5)	-
Aggregate income tax expense	12,467	6,297
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 15)	(1,574)	(1,007)
First time recognition of deferred tax assets (note 15)	-	(613)
Decrease in deferred tax liabilities (note 15)	-	(21)
	(1,574)	(1,641)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	51,310	36,886
Tax at the statutory tax rate of 30%	15,393	11,066
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Permanent adjustments	(1)	226
Equity settled share based payments	390	-
Earn-out revaluations	(187)	-
Acquisition costs	334	-
First time recognition of deferred tax assets	-	(613)
Difference in overseas tax rates	(3,394)	(2,706)
Losses not brought to account	79	-
(Over) provided in prior years	(5)	-
Effect of income that is exempt from tax	(142)	(1,676)
Income tax expense	12,467	6,297

NOTES TO THE FINANCIAL STATEMENTS / Continued

30TH JUNE 2016

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Cash on hand	12	40
Cash at bank	58,749	5,306
	58,761	5,346

Note 10. Current assets - trade and other receivables

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Trade receivables	38,493	28,142
Less: Provision for impairment of receivables	(574)	(760)
	37,919	27,382
Other receivables	-	28
	37,919	27,410

Impairment of receivables

The Group has recognised a loss of \$136,000 (2015: \$475,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2016.

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

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Past due more than 91 days	574	760

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

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Opening balance	760	456
Additional provisions recognised	136	475
Receivables written off during the year as uncollectable	(322)	(171)
Closing balance	574	760

Note 10. Current assets - trade and other receivables (continued)

Past due but not impaired

Customers with receivable balances past due but without provision for impairment, amount to \$21,542,000 as at 30 June 2016 (2015: \$14,907,000). The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

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

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
31 to 60 days overdue	9,938	6,484
61 to 90 days overdue	5,343	4,019
Past due more than 91 days	6,261	4,404
	21,542	14,907

Note 11. Current assets - other

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Accrued revenue	-	45
Prepayments	1,448	818
Other current assets	2,230	1,261
	3,678	2,124

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

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Unquoted ordinary shares - at fair value	29	29
	29	29

NOTES TO THE FINANCIAL STATEMENTS / Continued

30TH JUNE 2016

Note 13. Non-current assets - property, plant and equipment

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Leasehold improvements - at cost	2,811	1,068
Less: Accumulated depreciation	(1,131)	(930)
	1,680	138
Plant and equipment - at cost	992	465
Less: Accumulated depreciation	(533)	(396)
	459	69
Furniture, fixtures and fittings - at cost	1,592	809
Less: Accumulated depreciation	(1,025)	(642)
	567	167
Computer equipment and software - at cost	7,277	5,237
Less: Accumulated depreciation	(5,633)	(4,423)
	1,644	814
	4,350	1,188

Reconciliations

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

Consolidated	Furniture, fixtures and equipment				Total
	Leasehold improvements	Plant and equipment	fittings	Computer equipment	
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	48	106	200	772	1,126
Additions	149	-	6	440	595
Additions through business combinations (note 35)	-	-	5	207	212
Disposals	-	(11)	(1)	(13)	(25)
Exchange differences	2	2	(6)	27	25
Depreciation expense	(61)	(28)	(37)	(619)	(745)
Balance at 30 June 2015	138	69	167	814	1,188
Additions	1,721	539	229	1,796	4,285
Additions through business combinations (note 35)	23	-	242	-	265
Disposals	(17)	(23)	-	(23)	(63)
Exchange differences	1	-	-	10	11
Depreciation expense	(186)	(126)	(71)	(953)	(1,336)
Balance at 30 June 2016	1,680	459	567	1,644	4,350

Note 14. Non-current assets - intangibles

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Goodwill - at cost	124,156	33,581
Patents and trade marks - at cost	3,511	14
	127,667	33,595
Capitalised software development - at cost	5,783	1,247
Less: Accumulated amortisation	(1,979)	(317)
	3,804	930
Customer Relationships	63,570	-
Less: Accumulated amortisation	(3,924)	-
Less : Impairment	(961)	-
	58,685	-
	190,156	34,525

Reconciliations

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

Consolidated	Consolidated				Total \$'000
	Goodwill \$'000	Patents and trade marks \$'000	Customer relationships \$'000	Capitalised software development \$'000	
Balance at 1 July 2014	-	-	-	595	595
Additions	-	-	-	652	652
Additions through business combinations (note 35)	33,581	14	-	-	33,595
Disposals	-	-	-	-	-
Amortisation expense	-	-	-	(317)	(317)
Balance at 30 June 2015	33,581	14	-	930	34,525
Provisional accounting adjustments*	(10,861)	1,014	8,631	3,805	2,589
Additions	-	-	-	731	731
Additions through business combinations (note 35)	101,436	2,483	54,939	-	158,858
Disposals	-	-	-	-	-
Impairment loss	-	-	(961)	-	(961)
Amortisation expense	-	-	(3,924)	(1,662)	(5,586)
Balance at 30 June 2016	124,156	3,511	58,685	3,804	190,156

* Due to the proximity of the acquisitions of Practice Insight Pty Ltd and Fisher Adams Kelly Pty Limited to the year end, the intangible assets arising on the acquisitions were provisionally allocated entirely to goodwill. A portion of the goodwill was subsequently reallocated to other identifiable intangible assets once final assessments had been determined.

Note 14. Non-current assets - intangibles (continued)

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.

The acquired legal entities are managed as standalone CGU's. A summary of the goodwill by cash generating unit is set out below:

	Consolidated	
	30 June 2016	30 June 2015
Cash Generating Unit	\$'000	\$'000
Fisher Adams Kelly Callinans	23,674	25,928
Practice Insight	3,834	7,653
Pizzseys	67,753	-
Cullens ¹	28,589	-
Total	123,850	33,581

1. Cullens not tested for impairment as acquired on 30 June 2016

The recoverable amount of a CGU is determined primarily on 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

Cash Generating Unit	5 yr EBITDA CAGR	Terminal growth rates	Discount rates	
			Pre-Tax	Post-Tax
	%	%	%	%
Fisher Adams Kelly Callinans	5.2	2.5	15	10.5
Practice Insight	32.2	2.5	25	17.5
Pizzseys	7.9	2.5	15	10.5

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

At 30 June 2016, the assessed value-in-use for each CGU exceeded the carrying amounts of the CGU and no impairment loss was recognised.

Impact of possible change in key assumptions

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

- » Holding all assumptions constant, if the forecast 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%

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:					
Impairment of receivables	176	(45)	-	-	131
Property, plant and equipment	(375)	133	-	-	(242)
Provisions	1,531	38	138	-	1,707
Accrued expenses	261	(274)	13	-	-
Unbilled revenue	(132)	(81)	-	-	(213)
Prepayments	(12)	(1)	(5)	-	(18)
Foreign exchange	(171)	174	-	-	3
Work in progress	(65)	65	-	-	-
Transaction costs	783	(224)	-	777	1,336
Leased assets	-	305	-	-	305
Software	-	308	-	-	308
Intangible assets	-	1,176	(18,781)	-	(17,605)
Sundry	(24)	-	-	-	(24)
	1,972	1,574	(18,635)	777	(14,312)

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Disclosed as:		
Deferred tax asset	3,087	1,972
Deferred tax liability	(17,399)	-
	(14,312)	1,972

Deferred taxes were recognised for the first time during the 2015 financial year on the corporatisation of the Australian group arising from the Group's reorganisation.

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30TH JUNE 2016

Note 16. Current liabilities - trade and other payables

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Trade payables	5,721	5,179
Sundry creditors and accruals	8,203	4,799
	13,924	9,978

Refer to note 27 for further information on financial instruments

Note 17. Current liabilities - provisions

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Employee benefits	5,057	4,419
Lease make good	484	198
Other provisions	787	88
	6,328	4,705

Note 18. Current liabilities - other

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Deferred consideration	4,554	4,950

Represents the estimated fair value of the deferred consideration relating to the acquisition of Cullens on 30 June 2016 (note 35). Prior period consideration was in relation to the acquisition of Fisher Adams Kelly and was settled during the year.

Note 19. Current liabilities - other financial liabilities

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Deferred Acquisition costs	23,674	-
Lease Incentive liability	1,581	-
Preference shares	200	-
Other	7	-
	25,462	-

Deferred acquisition costs relate to additional consideration arising on settlement that is dependent on certain performance conditions being met. The balance represents the fair value of the expected consideration due to be paid at the designated date. Refer note 35.

Preference shares in IPH (Thailand) Limited were issued to Siam Premier as part of the acquisition of the intellectual property business of Siam Premier International Law Office Limited (note 35). The preference shares entitle the holder to a cumulative right to fixed dividends of 10% of the paid up share capital of the preference shares.

Reconciliations

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

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Opening balance	-	-
Recognised on acquisition (note 35)	24,306	-
Revaluation of liability	(632)	-
	23,674	-

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Note 20. Borrowings

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Current		
Bank overdraft	-	-
Multi-option facility	-	-
	-	-

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Non Current		
Bank overdraft	-	-
Multi-option facility	-	10,550
	-	10,550

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

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

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

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

Upon executing the new Multi-Option Facility Agreement, borrowings under the previous facility were extinguished.

Assets pledged as security

The bank facility made available by ANZ is secured by cross guarantee and all assets from IPH Limited and a number of its wholly owned subsidiaries.

Note 20. Borrowings (continued)

Financing arrangements

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

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Total facilities		
Bank overdraft ¹	-	500
Multi-option facility ¹	97,000	30,000
Standby letter of credit facility	-	1,100
Bank guarantees ¹	-	2,000
	97,000	33,600
Used at the reporting date		
Bank overdraft	-	-
Multi-option facility	-	10,550
Standby letter of credit facility	-	-
Bank guarantees	2,494	1,781
	2,494	12,331
Unused at the reporting date		
Bank overdraft	-	500
Multi-option facility	94,506	19,450
Standby letter of credit facility	-	1,100
Bank guarantees	-	219
	94,506	21,269

1. The Multi-option facility includes facility sublimits of \$10m and \$7m which may be used for the issuance of bank guarantees and available overdraft respectively.

Note 21. Non-current liabilities - provisions

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Employee benefits	373	407
	373	407

NOTES TO THE FINANCIAL STATEMENTS / Continued

30TH JUNE 2016

Note 22. Equity - issued capital

	Consolidated		Consolidated	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	Shares	Shares	\$'000	\$'000
Ordinary Class shares - fully paid	188,883,320	162,378,265	218,583	35,305
	188,883,320	162,378,265	218,583	35,305

Movements in ordinary share capital

	Date	Shares	\$'000
Balance	1 July 2014	-	-
Conversion of units **	19 November 2014	152,000,000	871
Acquisition of non-controlling interest	19 November 2014	5,406,666	11,354
Issue of shares to employees	19 November 2014	57,596	121
Issue of shares for directors services	19 November 2014	95,237	200
Acquisition of Practice Insight Pty Ltd	30 April 2015	855,111	3,694
Acquisition of Fisher Adams Kelly Pty Ltd	28 May 2015	3,963,655	19,065
Balance at 30 June 2015		162,378,265	35,305
Acquisition of Fisher Adams Kelly Pty Ltd	27 August 2015	1,029,010	4,950
Acquisition of Pizeys Patent & Trademark Attorneys	30 September 2015	6,776,263	46,756
Dividend reinvestment plan issues	7 October 2015	507,271	3,050
Acquisition of Callinans Patent & Trademark Attorneys	2 November 2015	393,932	2,978
Shares issued	1 December 2015	15,197,330	110,940
Capital raising costs		-	(1,790)
Retention rights exercised	2 December 2015	47,619	-
Acquisition of Cullens & Cullens Services No 1 Pty Ltd	30 June 2016	2,553,630	16,394
Balance at 30 June 2016		188,883,320	218,583

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.

** Share issues during FY15

The previous unitholders of the Spruson & Ferguson Unit Trust received one IPH Limited share for each unit held in the Trust. On IPO, the previous unit holders sold approximately 50% of their shares via IPH (SaleCo) Limited and therefore no additional capital is reflected in the issued capital of IPH Limited. "A" and "C" class units in the Spruson & Ferguson Unit Trust were classified as financial liabilities.

Share buy-back

There is no current on-market share buy-back.

Note 22. Equity - issued capital (continued)

Capital risk management

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

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

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

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

Dividend reinvestment plan

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

Note 23. Equity - reserves

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Foreign currency reserve	272	(233)
Share-based payments reserve	1,340	495
Minority interest acquisition reserve	(14,850)	(14,850)
	(13,238)	(14,588)

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.

NOTES TO THE FINANCIAL STATEMENTS / Continued

30TH JUNE 2016

Note 24. Equity - retained profits

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Retained profits at the beginning of the financial year	14,461	3,933
Profit after income tax expense for the year attributable to owners of IPH Limited	38,843	16,042
Profit attributable to previous unitholders	-	14,273
Dividends paid (note 26)	(36,837)	(5,514)
Distribution to trust unit holders	-	(14,273)
Retained profits at the end of the financial year	16,467	14,461

Note 25. Equity - non-controlling interest

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Retained profits at the beginning of the financial year	-	543
Share of total comprehensive income for the year	-	274
Acquisition of non-controlling interest	-	(159)
Dividends paid to non-controlling interest	-	(658)
Retained profits at the end of the financial year	-	-

On 3 October 2014, the remaining 7% interest in Spruson & Ferguson (Asia) Pte Limited was acquired, increasing in ownership from 93% to 100%, in exchange for issue of shares in IPH Limited amounting to \$11,354,000. The Group recognised an increase in the minority interest acquisition reserve of \$11,354,000, net of the balance owing in the non-controlling interest account.

Note 26. Equity - dividends

	Cents per share	Consolidated	
		30 June 2016	30 June 2015
		\$'000	\$'000
Interim dividend			
December 2014 - paid 25 March 2015	3.5	-	5,514
December 2015 - paid 23 March 2016	11.0	20,496	-
Final dividend			
June 2015 - paid 7 October 2015	10.0	16,341	-

Note 26. Equity - dividends (continued)

On 18 August 2016, the Company declared an ordinary dividend of 10.0 cents per share (franked at 5.0 cents) to be paid on 5 October 2016. The dividend value is \$18,888,332. No provision for this dividend has been recognised in the Statement of Financial Position as at 30 June 2016, as it was declared after the end of the financial year.

Franking credits

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	5,604	3,602

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
- » franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- » franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 27. 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 does not enter into any derivative financial instruments to manage its exposure to foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS / Continued

30TH JUNE 2016

Note 27. Financial instruments (continued)

Market risk (continued)

Foreign currency risk (continued)

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

	A\$'000	US\$'000	€'000	S\$000	Other ¹
30 June 2016					
Net asset exposure (Local Currency)	173,890	30,615	2,304	4,141	(107)
30 June 2015					
Net asset exposure (Local Currency)	20,458	13,250	1,270	-	200

1. Australian dollar equivalent

Sensitivity analysis

The sensitivity of the Group's Australian dollar denominated Profit or Loss account and Statement of Financial Position to foreign currency movements is based on a 10% fluctuation (2015: 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	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
USD	3,822	1,325	(4,204)	(1,205)
Euro	319	127	(351)	(115)
SGD	372	-	(409)	-
Other currencies	11	(20)	(10)	18
Net exposure to foreign currency risk	4,524	1,432	(4,974)	(1,302)

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.

Note 27. Financial instruments (continued)

Market risk (continued)

Interest rate risk (continued)

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

Consolidated	30 June 2016		30 June 2015	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$'000	%	\$'000
Multi-option facility	-	-	3.74	10,550
Net exposure to cash flow interest rate risk		-		10,550

The Group had no bank loans outstanding at 30 June 2016 (2015: \$10,550,000) and is therefore not exposed to movements in interest rates.

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.

Financing arrangements (unused)

Unused borrowing facilities at the reporting date:

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Bank overdraft	-	500
Multi-option facility	94,506	19,450
Standby letter of credit facility	-	1,100
Bank guarantees	-	219
	94,506	21,269

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

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Note 27. Financial instruments (continued)

Liquidity risk (continued)

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 2016	Weighted	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	average interest rate					
	%	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	5,721	-	-	-	5,721
Other payables and accruals	-	8,203	-	-	-	8,203
Deferred acquisition costs	-	23,674	-	-	-	23,674
<i>Interest-bearing - variable</i>						
Multi-option facility	-	-	-	-	-	-
Total non-derivatives		37,598	-	-	-	37,598

Consolidated - 30 June 2015	Weighted	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	average interest rate					
	%	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	5,719	-	-	-	5,719
Other payables and accruals	-	4,799	-	-	-	4,799
<i>Interest-bearing - variable</i>						
Multi-option facility	3.74%	310	310	10,602	-	11,222
Total non-derivatives		10,828	310	10,602	-	21,740

Note 28. Fair value measurement

Fair value hierarchy

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: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Note 28. Fair value measurement (continued)

Fair value hierarchy (continued)

- » 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

Consolidated - 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Available for sale unquoted ordinary shares	-	-	29	29
Total assets	-	-	29	29

Consolidated - 30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Available for sale unquoted ordinary shares	-	-	29	29
Total assets	-	-	29	29

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Available for sale unquoted ordinary shares fair value approximates its cost.

In view of the immaterial balance of the available for sale financial assets, the Directors believe financial assets' fair value approximates their costs.

Note 29. 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 2016 \$	30 June 2015 \$
Short-term employee benefits	1,937,704	1,517,283
Post-employment benefits	78,333	98,490
Long-term benefits	352,594	135,803
Share-based payments	-	199,996
	2,368,631	1,951,572

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Note 30. 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 2016	30 June 2015
	\$	\$
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	297,000	158,000
Other assurance services	4,000	3,500
Other services - Deloitte Touche Tohmatsu		
Tax compliance services	147,658	60,660
Transaction due diligence	-	40,000
Tax advisory services	-	71,300
Investigating Accountants Report and associated services	-	275,000
	448,658	608,460
Deloitte Touche Tohmatsu (Singapore)		
Audit or review of the financial statements	66,780	43,689
Tax compliance services	44,193	15,825
	110,973	59,514
Audit services - unrelated firms		
Audit or review of the financial statements	5,142	-
Other services - unrelated firms		
Corporate and taxation services	836	-
	5,978	-

Note 31. Contingent liabilities

The Group has given bank guarantees in respect of operating lease commitments for office premises as at 30 June 2016 of \$1,853,000 (2015: \$1,781,000).

Note 32. Commitments

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Lease commitments - operating		
<i>Committed at the reporting date but not recognised as liabilities, payable:</i>		
Within one year	4,539	3,072
One to five years	8,479	8,588
Over five years	2,392	4,023
	15,410	15,683

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 33. Related party transactions

Parent entity

IPH Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 36.

Key management personnel

Disclosures relating to key management personnel are set out in note 29 and the remuneration report in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	30 June 2016	30 June 2015
	\$	\$
Other Income		
Distributions from Spruson & Ferguson Lawyers Unit Trust - a related party	-	112,398
	-	112,398

The Spruson & Ferguson Lawyers Unit Trust 'SFLUT' was a discretionary trust that was operated but not controlled by the Group. The SFLUT vested on 27 October 2014.

NOTES TO THE FINANCIAL STATEMENTS / Continued

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Note 34. Parent entity information

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

	Parent	
	30 June 2016	30 June 2015
	\$'000	\$'000
Statement of profit or loss and other comprehensive income		
Profit after income tax	43,611	3,952
Total comprehensive income	43,611	3,952
Statement of financial position		
Total current assets	148,198	15,607
Total assets	319,663	59,649
Total current liabilities	96,340	16,117
Total liabilities	96,386	26,668
Equity		
Issued capital	217,112	34,434
Share-based payments reserve	954	110
Retained earnings/(accumulated losses)	5,211	(1,563)
	223,277	32,981

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

Other than the security provided for the ANZ Facility Agreement as disclosed in note 20, the parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016 apart from being party to the deed of cross guarantee as detailed in Note 41.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016.

Significant accounting policies

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

Note 35. Business combinations

Pizzeys Patent & Trade Mark Attorneys Pty Ltd

On 30 September 2015, the Group acquired 100% of the ordinary shares of Pizzeys Patent & Trade Mark Attorneys Pty Ltd "Pizzeys" under the terms of a Share Purchase Agreement (SPA). The final agreed purchase price was \$72,142,041.

The acquired business contributed revenues of \$15,028,000 and profit after tax of \$5,092,000 to the Group for the period from 1 October 2015 to 30 June 2016. If the acquisition occurred on 1 July 2015, the full year contributions would have been revenues of \$18,949,000 and profit after tax of \$6,786,000.

Consideration transferred

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

	\$'000
Cash	35,483
Equity instruments (6,776,263 ordinary shares)	46,756
Contingent consideration	14,006
Total consideration transferred	96,245

The Group incurred acquisition related costs of \$211,000. These costs have been included in business acquisition expenses.

Equity instruments issued

\$36,659,583 of the purchase price was settled by way of the issue of 6,776,263 ordinary shares in IPH to the vendors of Pizzeys. The shares issued have been recorded at their acquisition date fair value of \$6.90 per share.

The value of the 6,776,263 shares issued has been recorded in the financial statements as \$46,756,215.

Contingent consideration

The Group has agreed to pay the selling shareholders additional consideration of 7.9 times the amount by which the acquirees FY16 normalised EBITA, up to a maximum of \$11 million, exceeds FY15 normalised EBITA. The Group has included \$14,006,665 as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition. At 30 June 2016, the contingent consideration had increased to \$14,052,093.

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Note 35. Business combinations (continued)

Pizeys Patent & Trade Mark Attorneys Pty Ltd (continued)

Identifiable assets acquired and liabilities assumed

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

	Fair value
	\$'000
Cash and cash equivalents	1,012
Trade and other receivables	3,244
Other assets	722
Property, plant and equipment	63
Intangible assets - customer relationships	34,610
Intangible assets - trade marks	1,349
Deferred Tax Liability	(10,383)
Deferred tax assets	77
Trade and other payables	(1,226)
Current tax liability	(655)
Provisions	(321)
Net assets acquired	28,492
Goodwill	67,753
Acquisition-date fair value of total consideration transferred	96,245
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of total consideration transferred	96,245
Less: shares issued by company as part of consideration	(46,756)
Less: cash and cash equivalents acquired	(1,012)
Deferred consideration	(14,006)
Net cash used	34,471

Callinans Patent & Trade Mark Attorneys Pty Ltd

On 2 November 2015, Fisher Adams Kelly Pty Limited ("FAK") acquired the assets of Callinans Patent and Trade Mark Attorneys ("Callinans"). Under the terms of a Business Purchase Agreement (BPA). The agreed initial purchase price was \$5,479,400.

Consideration transferred

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

	\$'000
Cash	2,729
Equity instruments (393,932 ordinary shares)	2,978
Contingent consideration	3,789
Total consideration transferred	9,496

The Group incurred acquisition related costs of \$238,000. These costs have been included in business acquisition expenses.

Note 35. Business combinations (continued)

Callinans Patent & Trade Mark Attorneys Pty Ltd (continued)

Equity instruments issued

Under the terms of the BPA, \$2,750,000 of the purchase price was settled by way of the issue of ordinary shares in IPH Limited to the vendors of Callinan's. The shares issued have been recorded at their acquisition date fair value of \$7.56 per share.

The value of the 393,932 shares issued, has been recorded in the financial statements as \$2,978,126.

Contingent consideration

The Group has agreed to pay the selling shareholders additional consideration, of up to \$6 million should certain billing targets be met in relation to key customers. The Group has included \$3,788,823 as contingent consideration, which represents its fair value at the date of acquisition. At 30 June 2016, the contingent consideration had decreased to \$2,661,674 as a result of certain conditions not being met. Contingent consideration is potentially due in two instalments in December 2016 and April 2017.

Identifiable assets acquired and liabilities assumed

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

	Fair value
	\$'000
Other assets	22
Intangible assets - customer relationships	6,668
Deferred Tax Liability	(2,000)
Provisions	(243)
Deferred revenue	(25)
Net assets acquired	4,422
Goodwill	5,074
Acquisition-date fair value of total consideration transferred	9,496
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of total consideration transferred	9,496
Less: shares issued by company as part of consideration	(2,978)
Deferred consideration	(3,789)
Net cash used	2,729

Note 35. Business combinations (continued)

Cullens Pty Limited and Cullens Services No1 Pty Limited ("Cullens")

On 30 June 2016, the Group acquired 100% of the ordinary shares of Cullens Pty Limited and Cullens Services No1 Pty Limited "Cullens" under the terms of a Share Purchase Agreement (SPA). The preliminary agreed purchase price was \$35,597,602. The consideration is settled by way of issue of 2,553,630 IPH shares at an issue price of \$6.97 and cash of \$14,239,000.

Consideration transferred

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

	\$'000
Cash	14,239
Equity instruments (2,553,630 ordinary shares)	16,394
Contingent consideration	11,065
Total consideration transferred	41,698

The Group incurred acquisition related costs of \$218,000. These costs have been included in business acquisition expenses.

Equity instruments issued

\$17,798,801 of the purchase price was settled by way of the issue of 2,553,630 ordinary shares in IPH to the vendors of Cullens. The shares issued have been recorded at their acquisition date fair value of \$6.42 per share. The value of the shares issued has been recorded in the financial statements as \$16,394,304.

Contingent consideration

The Group has agreed to pay the selling shareholders additional consideration of 7.9 times the amount by which the acquirees FY16 normalised EBITA, up to a maximum of \$7.1 million, exceeds FY15 normalised EBITA. The Group has included \$6,510,678 as contingent consideration related to the additional consideration, which represents its fair value at the date of acquisition.

The balance of the purchase price of \$4,554,345 is payable in cash, and recognised as deferred consideration.

Note 35. Business combinations (continued)

Cullens Pty Limited and Cullens Services No1 Pty Limited ("Cullens") (continued)

Identifiable assets acquired and liabilities assumed

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

	Fair value \$'000
Cash and cash equivalents	1,868
Trade and other receivables	2,820
Other assets	6
Property, plant and equipment	202
Intangible assets - customer relationships	13,661
Intangible assets - trade marks	1,134
Deferred tax assets	122
Deferred tax liabilities	(4,098)
Trade and other payables	(1,130)
Current tax liability	(1,067)
Provisions	(410)
Net assets acquired	13,108
Goodwill	28,590
Acquisition-date fair value of total consideration transferred	41,698
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of total consideration transferred	41,698
Less: shares issued by company as part of consideration	(16,394)
Less: cash and cash equivalents acquired	(1,868)
Deferred consideration	(11,065)
Net cash used	12,371

Intellectual Property business of Siam Premier International Law Office Limited ("Siam Premier")

On 30 May 2016 Spruson & Ferguson Ltd (Thailand), a subsidiary of IPH Limited, acquired the Intellectual Property (IP) business of Siam Premier International Law Office Limited. The final agreed purchase price was THB 8,268,750 (A\$323,000).

Simultaneously, Siam Premier invested in IPH (Thailand) Limited (the immediate parent of S&F Thailand) through the acquisition of preference shares, with a cumulative right to fixed dividends of 10% of the paid up share capital of the preference shares, to the value of THB 5.1m. IPH (Thailand) Limited also issued THB 3.9m of ordinary shares to IPH Holdings (Asia) Pte Ltd.

Subsequent to the transaction, the shares of IPH (Thailand) are owned 51% by Siam Premier and 49% by IPH (Holdings) Asia. The preference shares however have 1 vote for every 10 that have been issued resulting in IPH Limited controlling IPH (Thailand) Limited.

The preference shares issued to Siam Premier have been classified as debt in Note 19.

Note 35. Business combinations (continued)

Intellectual Property business of Siam Premier International Law Office Limited ("Siam Premier") (continued)

Details of the acquisition are as follows:

	Fair value \$'000
Net assets acquired	-
Goodwill	323
Acquisition-date fair value of total consideration transferred	323
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of total consideration transferred	323
Net cash used	323

Acquisitions undertaken in the year ended 30 June 2015

Practice Insight Pty Ltd and WiseTime Pty Ltd

On 30 April 2015, the Group acquired 100% of the ordinary shares of data analysis and software companies Practice Insight Pty Ltd and WiseTime Pty Ltd under the terms of a Share Purchase Agreement.

The final accounting for the acquisition of Practice Insight Pty Ltd and WiseTime Pty Ltd was finalised during the current financial year.

As a result intangible assets relating to Trade Marks and Software have been identified with a corresponding reduction in the value of the goodwill recognised. The final acquisition details are as follows:

	Fair value \$'000
Cash and cash equivalents	77
Trade and other receivables	145
Property, plant and equipment	5
Intangible assets - trade marks	14
Trade and other payables	(35)
Deferred revenue	(165)
Net assets acquired	41
Intangible Assets - Software	3,805
Goodwill	3,834
Acquisition-date fair value of total consideration transferred	7,680

Note 35. Business combinations (continued)

Fisher Adams Kelly Pty Ltd

On 28 May 2015 the Group acquired 100% of the ordinary shares of patent & trade mark attorneys firm Fisher Adams Kelly Pty Ltd ("FAK") under the terms of a Share Purchase Agreement.

The final accounting for the acquisition of FAK was finalised during the current financial year.

As a result intangible assets relating to Trade Marks and Customer Relationships have been identified with a corresponding reduction in the value of the goodwill recognised. The final acquisition details are as follows:

	Fair value \$'000
Cash and cash equivalents	712
Trade and other receivables	2,858
Property, plant and equipment	207
Other assets	665
Trade and other payables	(1,747)
Deferred tax asset	352
Provisions	(1,478)
Borrowings	(3,482)
Net assets acquired	(1,913)
Intangible Assets - Trade Marks	1,014
Intangible Assets - Customer Relationships	8,631
Deferred tax liability	(2,589)
Goodwill	18,872
Acquisition-date fair value of total consideration transferred	24,015

NOTES TO THE FINANCIAL STATEMENTS / Continued

30TH JUNE 2016

Note 36. 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 2016	30 June 2015
Spruson & Ferguson Pty (NSW) Limited ^{2,3}	Australia	Non Trading entity	100%	100%
Spruson & Ferguson Pty Limited ^{2,3}	Australia	Patent attorneys	100%	100%
Spruson & Ferguson Lawyers Pty Limited ^{2,3}	Australia	Lawyers	100%	100%
Spruson & Ferguson (Asia) Pte Limited	Singapore	Patent attorneys	100%	100%
Spruson & Ferguson SDN BHD	Malaysia	Patent attorneys	100%	100%
IPH Holdings (Asia) Pte Ltd	Singapore	Non Trading entity	100%	-
PT Spruson Ferguson Indonesia	Indonesia	Patent attorneys	100%	-
IPH (Thailand) Ltd ⁴	Thailand	Non Trading entity	49%	-
Spruson & Ferguson Ltd	Thailand	Patent attorneys	100%	-
IPH Services Limited ^{2,3}	Australia	Software development	100%	100%
Practice Insight Pty Limited ^{2,3}	Australia	Data analysis and software	100%	100%
Wise Time Pty Limited ²	Australia	Data analysis and software	100%	100%
Fisher Adams Kelly Pty Limited ^{2,3}	Australia	Patent attorneys	100%	100%
Pizzeys Patent & Trademark Attorneys Pty Ltd ³	Australia	Patent attorneys	100%	-
Cullens Pty Limited	Australia	Patent attorneys	100%	-
Cullens Services No 1 Pty Limited	Australia	Patent attorneys	100%	-
Pizzeys Pte Ltd	Singapore	Patent attorneys	100%	-
Spruson & Ferguson (Shanghai) Ltd	China	Patent attorneys	100%	-
Spruson & Ferguson Limited	Hong Kong	Non Trading entity	100%	-
Spruson & Ferguson (Beijing) Ltd	China	Patent attorneys	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 on 26 June 2015 pursuant to class order 98/1418 and are relieved from the requirements to prepare and lodge an audited financial report (note 41).

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

Note 37. Events after the reporting period

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 38. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Profit after income tax expense for the year	38,843	30,589
Adjustments for:		
Depreciation and amortisation	7,164	1,062
Unrealised foreign exchange	108	398
Dividend income	-	(112)
Share-based payments	845	495
Issue of shares on listing to employees and directors	-	321
Other	338	(4)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(6,350)	(4,083)
Increase in deferred tax assets	(420)	(1,641)
Decrease/(increase) in other assets	(558)	(424)
Increase/(decrease) in trade and other payables	1,667	1,773
Increase in provision for income tax	(453)	3,158
Increase in other liabilities	248	-
Decrease in deferred revenue	8	(638)
Increase in provisions	615	671
Net cash from operating activities	42,055	31,565

NOTES TO THE FINANCIAL STATEMENTS / Continued

30TH JUNE 2016

Note 39. Earnings per share

	Consolidated	
	30 June 2016	30 June 2015
	\$'000	\$'000
Profit after income tax	38,843	30,589
Non-controlling interest	-	(274)
Profit after income tax attributable to the owners of IPH Limited	38,843	30,315

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	177,222,041	155,387,554
Options over ordinary shares	1,769,596	225,725
Weighted average number of ordinary shares used in calculating diluted earnings per share	178,991,637	155,613,279

	Cents	Cents
Basic earnings per share	21.92	19.51
Diluted earnings per share	21.70	19.48

Note 40. Share-based payments

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

Retention rights

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

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

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

Grant Date	Vesting Date	Exercise price	Balance at the start of year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
19 Nov 2014	19 Nov 2015	\$0.00	47,619	-	(47,619)	-	-
19 Nov 2014	19 Nov 2016	\$0.00	47,619	-	-	-	47,619
19 Nov 2014	19 Nov 2017	\$0.00	47,619	-	-	-	47,619
16 Sept 2015	1 July 2016	\$0.00	-	42,183	-	-	42,183
16 Sept 2015	1 July 2017	\$0.00	-	63,275	-	-	63,275
16 Sept 2015	1 July 2018	\$0.00	-	105,458	-	-	105,458
Total Retention Rights			142,857	210,916	(47,619)	-	306,154

Note 40. Share-based payments (continued)

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%

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%

NOTES TO THE FINANCIAL STATEMENTS / Continued

30TH JUNE 2016

Note 40. Share-based payments (continued)

EPS Rights (continued)

	FY15 Award (Nov 2014)	FY16 Award (Sept/Dec 15)
Minimum EPS Target	EPS in the financial year ending 30 June 2017 of 17.3 cents, being the forecast pro forma EPS of IPH for the financial year ending 30 June 2015 with a compound annual growth rate of 7% applied to it for the following 2 financial years	Compound annual growth rate (CAGR) of 7%
EPS Target	EPS in the financial year ending 30 June 2017 of 20.0 cents, being the forecast pro forma EPS of IPH for the financial year ending 30 June 2015 with a compound annual growth rate of 15% applied to it for the following 2 financial years.	Compound annual growth rate (CAGR) of 15%

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

Grant Date	Vesting Date	Exercise price	Balance at the start of year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
TSR - 19 Nov 14	9 Sept 2017	\$0.00	137,853	-	-	(19,404)	118,449
EPS - 19 Nov 14	9 Sept 2017	\$0.00	137,853	-	-	(19,404)	118,449
TSR - 16 Sept 15	8 Sept 2018	\$0.00	-	138,131	-	(5,084)	133,047
EPS - 16 Sept 15	8 Sept 2018	\$0.00	-	138,131	-	(5,084)	133,047
TSR - 2 Dec 15	8 Sept 2018	\$0.00	-	4,862	-	(1,334)	3,528
EPS - 2 Dec 15	8 Sept 2018	\$0.00	-	4,862	-	(1,334)	3,528
Total Performance Rights			275,706	285,986	-	(51,644)	510,048

Fair value of retention and performance rights granted

The weighted average share price during the financial year was \$7.18 (2015: \$2.70).

The weighted average remaining contractual life of rights outstanding at the end of the financial year was 2.1 years (2015: 2 years)

Note 40. Share-based payments (continued)

EPS Rights (continued)

Fair value of retention and performance rights granted (continued)

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

Grant Date	Vesting Date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
Performance rights							
TSR - 19 Nov 14	9 Sept 2017	\$2.10	\$0.00	35.00%	6.40%	2.56%	\$1.04
EPS - 19 Nov 14	9 Sept 2017	\$2.10	\$0.00	35.00%	6.40%	2.56%	\$1.75
TSR - 17 Sept 15	8 Sept 2018	\$6.12	\$0.00	35.00%	3.50%	2.00%	\$4.45
EPS - 17 Sept 15	8 Sept 2018	\$6.12	\$0.00	35.00%	3.50%	2.00%	\$5.51
TSR - 2 Dec 15	8 Sept 2018	\$8.20	\$0.00	35.00%	3.50%	2.00%	\$6.66
EPS - 2 Dec 15	8 Sept 2018	\$8.20	\$0.00	35.00%	3.50%	2.00%	\$7.40
Retention rights							
19 Nov 2014	19 Nov 2015	\$2.10	\$0.00	35.00%	6.40%	2.44%	\$1.97
19 Nov 2014	19 Nov 2016	\$2.10	\$0.00	35.00%	6.40%	2.49%	\$1.84
19 Nov 2014	19 Nov 2017	\$2.10	\$0.00	35.00%	6.40%	2.58%	\$1.73
17 Sept 2015	1 July 2016	\$6.12	\$0.00	35.00%	3.50%	1.96%	\$5.95
17 Sept 2015	1 July 2017	\$6.12	\$0.00	35.00%	3.50%	1.93%	\$5.75
17 Sept 2015	1 July 2018	\$6.12	\$0.00	35.00%	3.50%	1.99%	\$5.55

The weighted fair value of the rights granted during the year is \$5.39

Amounts recognised in the Financial Statements

During the financial year ended 30 June 2016, an \$845,000 expense was recognised in the Statement of Profit or Loss in relation to equity settled share based payment awards (June 2015: \$495,000).

NOTES TO THE FINANCIAL STATEMENTS / Continued

30TH JUNE 2016

Note 41. Deed of cross guarantee

The members of the Group party to the deed of cross guarantee are detailed in note 36. 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 2016	30 June 2015
	\$'000	\$'000
Revenue	86,969	47,562
Other income	29,325	35,524
Expenses		
Employee benefits expense	(28,812)	(19,722)
Depreciation and amortisation expense	(6,569)	(780)
Rental expenses	(3,607)	(1,903)
Restructure and formation expenses	-	(3,499)
Business acquisition costs	(2,430)	(310)
Agent fee expenses	(18,256)	(6,995)
Insurance expenses	(353)	(265)
Travel expenses	(1,043)	(362)
Printing & stationery expenses	(436)	(128)
Other expenses	(6,405)	(4,692)
Finance costs	(1,525)	(623)
Profit before income tax expense	46,858	43,807
Income tax expense	(8,352)	(2,862)
Profit after income tax expense for the year	38,506	40,945
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	38,506	40,945
Profit for the year is attributable to:		
Non-controlling interest	-	-
Owners of IPH Limited	38,506	40,945
Profit after income tax expense for the year	38,506	40,945
Total comprehensive income for the year is attributable to:		
Non-controlling interest	-	-
Owners of IPH Limited	38,506	40,945
Profit after income tax expense for the year	38,506	40,945

Note 41. Deed of cross guarantee (continued)

	30 June 2016	30 June 2015
	\$'000	\$'000
Current assets		
Cash and cash equivalents	51,372	2,848
Trade and other receivables	22,145	15,158
Other assets	2,455	1,359
Total current assets	75,972	19,365
Non-current assets		
Property, plant and equipment	2,677	1,129
Intangibles	147,502	34,526
Investments in subsidiaries	48,275	6,577
Deferred tax	2,992	1,996
Total non-current assets	201,446	44,228
Total assets	277,418	63,593
Current liabilities		
Trade and other payables	5,945	6,280
Income tax	1,794	2,106
Provisions	5,292	4,687
Other liabilities	29,774	4,950
Deferred revenue	1,195	1,162
Total current liabilities	44,000	19,185
Non-current liabilities		
Borrowings	-	10,550
Provisions	898	407
Deferred tax liability	13,301	-
Total non-current liabilities	14,199	10,957
Total liabilities	58,199	30,142
Net assets	219,219	33,451
Equity		
Issued capital	218,582	35,305
Reserves	(10,164)	(10,954)
Retained profits	10,801	9,100
Total equity	219,219	33,451

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 2016 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 Class Order 98/1418. 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 class order applies, as detailed in note 41 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



David Griffith
Managing Director

18 August 2016
Sydney

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IPH LIMITED



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Independent Auditor's Report to the Members of IPH Limited

Report on the Financial Report

We have audited the accompanying financial report of IPH Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit and loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 38 to 94.

Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IPH LIMITED

Auditor's Independence Declaration

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

Opinion

In our opinion:

- (a) the financial report of IPH Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 33 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion the Remuneration Report of IPH Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Tara Hill
Partner
Chartered Accountants
Sydney, 18 August 2016

SHAREHOLDERS INFORMATION

The shareholder information set out below was applicable as at 31 August 2016.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of ordinary shares
1 to 1,000	3,037	1,676,240
1,001 to 5,000	4,423	11,699,866
5,001 to 10,000	1,392	10,026,706
10,001 to 100,000	813	17,351,753
100,001 and over	92	146,225,612
	9,757	186,980,177
Holding less than a marketable parcel	-	-

Equity security holders

Twenty largest quoted equity security holders

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

		Ordinary Shares	
		Number held	% of total shares issued
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	9,683,883	5.18
2	CITICORP NOMINEES PTY LIMITED	8,414,193	4.50
3	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	8,131,335	4.35
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,955,584	4.25
5	UBS NOMINEES PTY LTD	5,560,754	2.97
6	NATIONAL NOMINEES LIMITED	5,549,657	2.97
7	TALABAH PTY LIMITED	5,527,175	2.96
8	NABIDE PTY LIMITED	5,358,024	2.87
9	SETDOR PTY LIMITED	4,925,925	2.63
10	KIZILE PTY LIMITED	4,654,321	2.49
11	BERGTRUS PTY LIMITED	3,989,708	2.13
12	WOMBEE PTY LTD	3,987,654	2.13
13	MASSEYTRUS PTY LIMITED	3,753,086	2.01
13	KORTRUS PTY LIMITED	3,753,086	2.01
13	SHANTAY PTY LIMITED	3,753,086	2.01
14	HEUZTRUS PTY LIMITED	3,518,518	1.88
15	AFTRUS PTY LIMITED	3,286,005	1.76
16	ROSSARD PTY LIMITED	3,286,004	1.76
17	GURLUCHI PTY LIMITED	3,283,951	1.76
17	CURNTRUS PTY LIMITED	3,283,951	1.76
18	EDNIC PTY LIMITED	2,814,815	1.51
19	ASSONET PTY LIMITED	2,814,814	1.51
19	O'BRIENTRUS PTY LIMITED	2,814,814	1.51
20	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	2,022,430	1.08
		112,122,773	59.97

No person holds 20% or more of unquoted equity securities as at the date of this report.

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

SHAREHOLDERS

INFORMATION

Equity security holders (continued)

Geography distribution

	Ordinary Shares	
	Number of holder	Number of shares
AUSTRALIA	9,646	183,223,412
BAHRAIN	1	210
BERMUDA	1	5,000
BRUNEI DARUSSALAM	1	701
CHINA	3	18,961
FRANCE	1	500
HONG KONG	3	8,684
KUWAIT	1	460
MALAYSIA	1	1,000
NEW ZEALAND	66	161,884
PAPUA NEW GUINEA	1	2,380
SINGAPORE	15	3,503,756
THAILAND	2	1,049
UNITED ARAB EMIRATES	1	500
UNITED KINGDOM	9	46,194
UNITED STATES OF AMERICA	4	2,590
VANUATU	1	2,896
	9,757	186,980,177

Unquoted equity securities

	Number on Issue	Number of holders
Performance Rights over ordinary shares granted under the Long Term Incentive Plan	510,047	33
Retention Rights granted under the Long Term Incentive Plan	398,120	23

Substantial holders

The names of substantial shareholders of the Company's ordinary shares as at 31 August 2016 (holding no less than 5%) who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Holder	Number of securities
IPH Limited and its related bodies corporate	88,725,446
Bennelong Funds Management Group Pty Limited	12,028,647

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

Restricted securities

There are no restricted securities.

SHAREHOLDERS INFORMATION

Securities Subject to Voluntary Escrow

Class	Expiry Date	Number of Shares
Ordinary	21/11/2016	78,398,388
Ordinary	30/04/2017	591,979
Ordinary	28/05/2017	2,515,380
Ordinary	30/09/2017	6,776,263
Ordinary	02/11/2017	393,932
Ordinary	30/06/2018	2,042,905
Ordinary	31/08/2018	1,619,860

Annual General Meeting (AGM)

The 2016 annual general meeting (AGM) of IPH Limited will be held on Wednesday 16 November at 10:30am at the offices of Ernst & Young, 200 George Street, Sydney NSW 2000.

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

Annual Report

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

Online voting

Shareholders can lodge voting instructions electronically either as a direct vote or by appointing a proxy for the 2016 AGM at www.iphltd.com.au. The information required to log on and use online voting is shown on the voting form distributed to shareholders with the Notice of Annual General meeting.

Voting Rights

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

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

The quorum required for a meeting of members is two shareholders. If the votes are equal on a proposed resolution, the matter is decided in the negative.

Shareholder questions

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

Information about IPH

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



