

IPH Limited

ACN 169 015 838

Appendix 4D – Half Yearly Financial Report

Half Year ended 31 December 2014 (“HY15”)

Results for announcement to the market

Results		Change		HY15 \$'000	HY14 \$'000
Revenue from ordinary activities	Up	16%	to	42,487	36,639
Profit from ordinary activities after tax attributable to members	Down	13%	to	12,923	14,927
Profit for the period attributable to members	Down	13%	to	12,923	14,927

Dividends	Amount per Share	Franked amount per Share
Half year ended 31 December 2014 Interim dividend	3.5c	2.5c
Half year ended 31 December 2013 Interim dividend	0.0c	0.0c
Record date for determining entitlements to the dividend	5 March 2015	

Other	HY15	HY14
Net tangible asset backing per share	\$0.00	\$0.00

Explanation of Result

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

HALF-YEAR REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2014

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DIRECTORS' REPORT

DIRECTORS' REPORT

The directors of IPH Limited (the "Company") submit the financial report of IPH Limited and its subsidiaries (the "Group") for the half-year ended 31 December 2014 ("HY15"). In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

IPH Limited was incorporated as a public company on 9 April 2014 and incorporated a subsidiary Spruson & Ferguson Pty Limited on 18 August 2014. On 2 October 2014, Spruson & Ferguson Pty Limited, acquired the business and controlled entities of the Spruson & Ferguson Unit Trust (Spruson & Ferguson Trust) as part of a corporate re-organisation process. The accounting treatment adopted for recognising this new group structure is a form of group reorganisation that does not involve any change of economic substance and, therefore, represents a continuation of the existing group previously controlled by Spruson & Ferguson Trust.

Following an initial public offer ("IPO"), the Company was admitted to the official list of the Australian Stock Exchange on 17 November 2014.

Directors

The names of the directors of the Company in office during the financial period and until the date of this report are set out below. Directors were in office for the entire period, unless otherwise stated.

Name	Office
Mr Richard Grellman, AM	Non-executive Chairman (appointed 23 September 2014)
Mr David Griffith	Managing Director
Ms Robin Low	Non-executive Director (appointed 23 September 2014)
Dr Sally Pitkin	Non-executive Director (appointed 23 September 2014)
Mr John Atkin	Non-executive Director (appointed 23 September 2014)

Review of Operations

IPH Limited's businesses are comprised of Spruson & Ferguson patent and trademark attorneys, Spruson & Ferguson Lawyers and IPH Services based in Sydney, Australia; Spruson & Ferguson Asia patent attorneys based in Singapore with a representative office in Shanghai; and Spruson & Ferguson Malaysia patent attorneys based in Kuala Lumpur.

The Group's businesses provide services to support their clients in protecting their Intellectual Property ("IP"). IP is an output of intellectual creativity that may be reflected in various forms including inventions, trade marks, designs and artistic works. IP is often fundamental to the operations and value of many of the world's leading companies.

The Group operates IP hubs from its two major offices; the Sydney office provides services in Australia, New Zealand, Papua New Guinea and the Pacific Islands; and the Singapore office operates a "one-stop" service for Asia, providing services in 19 countries throughout the region including Singapore, Malaysia, China, Hong Kong, India, Indonesia, the Philippines, Pakistan, Taiwan, Thailand and Vietnam. Specifically Spruson & Ferguson provides patent and design filing and prosecution services in all the above countries; trade mark filing and prosecution services in Australia, New Zealand, Papua New Guinea and the Pacific Islands; services related to all other forms of IP; and IP related legal services in Australia.

In Australia Spruson & Ferguson is the leading patent attorney firm based on patent applications filed at Intellectual Property Australia. In Australia Spruson & Ferguson is the second ranking trade mark attorney firm based on trade mark applications filed at IP Australia. In Singapore, Spruson & Ferguson is the leading patent attorney firm based on patents filed at the Intellectual Property Office of Singapore. In the other Asian markets in which Spruson & Ferguson competes, it has a much lower market share, which represents a significant growth opportunity.

In the half-year ended 31 December 2014, the Group's Asian businesses continued to grow strongly, while the Australian patent business has broadly maintained its market share and the trade marks business has lost some market share when compared to the previous corresponding period. Generally, Australian patent filings show relatively little or no growth compared to the previous corresponding period.

Results

Operating results

Statutory / Pro forma Results Reconciliation	HY15 \$'m	HY14 \$'m
Statutory revenue	42.5	36.6
add: Spruson & Ferguson Lawyers revenue	0.7	1.7
Pro forma revenue	43.2	38.3
 Statutory NPAT	 13.2	 15.3
add: Tax	0.8	1.1
add: Net interest expense	0.2	0.1
add: Depreciation & amortisation	0.5	0.5
Statutory EBITDA	14.7	17.0
add: IPO expenses	3.4	-
add: LTIP establishment / leave balances recognition	1.0	-
add: Spruson & Ferguson Lawyers earnings (net of distributions)	0.1	0.7
less: Notional remuneration adjustment	(0.8)	(2.2)
less: Notional public company costs adjustment	(0.1)	(1.0)
Pro forma EBITDA	18.3	14.5
less: Pro forma depreciation & amortisation	(0.5)	(0.5)
less: Pro forma net interest expense	(0.2)	(0.2)
less: Pro forma tax	(4.2)	(3.2)
Pro forma NPAT	13.4	10.6

The Statutory / Pro forma Results Reconciliation table has been prepared so as to eliminate the effect of the IPO and restructuring of the Group, which took place during the six months ended 31 December 2014, and present the results on the basis of how the Group has been constituted since the restructuring.

DIRECTORS' REPORT

The adjustment between the Statutory revenue and Pro forma revenue arises from inclusion of the revenue of Spruson & Ferguson Law for the periods before the restructuring, when it was not being consolidated. The adjustments between the Statutory EBITDA and Pro forma EBITDA arise from a) adding back the expenses of the IPO, which include the issue of shares to directors and employees; b) adding back the adjustments arising from the establishment of the employee long term incentive plan ("LTIP") and the recognition of the former principals' leave balances arising from the adjustment to their salaries following the restructuring; c) adding the net earnings after distributions of Spruson & Ferguson Lawyers for the periods before the restructuring, when it was not being consolidated; d) deducting a notional amount calculated to adjust for the effect of the increase in the former principals' remuneration following the restructuring, for the periods before the restructuring; and e) deducting a notional amount calculated to adjust for the effect of the change to a public listed company following the restructuring, for the periods before the restructuring. The difference between the Statutory tax expense and Pro forma tax expense arises because of a) the tax effect of the adjustments between Statutory EBITDA and Pro forma EBITDA; and b) the tax effect of the corporatisation of the Group arising from the restructuring.

Pro forma group revenue for the half-year was \$43.2m, up 13% and pro forma EBITDA was \$18.3m, up 26% when compared to the previous corresponding period. The increases in both revenue and EBITDA were because of the net positive impact of foreign exchange movements and the underlying growth of Spruson & Ferguson Asia. Pro forma NPAT for the half-year was \$13.4m, up 26% compared to the previous corresponding period, in line with the increase in EBITDA.

Cash flow results

	Statutory HY15 \$'m	Statutory HY14 \$'m
Operating Cash flow before financing activities & tax	17.1	17.6
Net cash flow before dividends / distributions	22.8	14.8
Dividends / distributions paid (including pre-IPO distributions)	22.1	16.2
Net cash inflow / (outflow)	0.7	(1.4)

Cash flows before financing activities & tax in the half year were \$17.1m, down 3% from the previous corresponding period, having been negatively impacted by \$2.8m of cash costs of the initial public offering and restructuring, offset by the positive impacts of foreign exchange movements and underlying earnings growth. Net cash flows before dividends/distributions for the period were \$22.8m compared to \$14.8m in the previous corresponding period. In addition to the cash flow variances noted above, net cash flows before dividends have been positively impacted by lower tax payments and net increases in borrowings. Dividends / distributions paid during the half year were \$5.9m higher than the previous corresponding period as a result of payment of distributions to the former partners of Spruson & Ferguson in respect of profits earned during the period from 1 July 2014 up to the restructuring.

Dividends

The Directors have declared an interim dividend of 3.5 cents per share, 2.5c franked, with a record date of 5 March 2015 and payable on 25 March 2015.

Auditor Independence

The auditor's independence declaration as required under *section 307C* of the *Corporations Act 2001* is set out on page 54 and forms part of this report.

Signed in accordance with a resolution of the directors

A handwritten signature in black ink, appearing to read 'David Griffith', with a stylized, cursive script.

David Griffith

Managing Director

26 February 2015

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Consolidated Half-Year ended	
		2014	2013
		\$'000	\$'000
Revenue		40,311	34,639
Other income		2,176	2,000
Depreciation and amortisation expenses		(498)	(461)
Employee benefits expense		(14,122)	(9,907)
Rental expenses		(1,325)	(1,214)
Finance costs		(337)	(145)
Restructure and formation expenses		(3,441)	-
Agent fee expenses		(6,544)	(6,310)
Insurance expenses		(210)	(86)
Travel expenses		(231)	(188)
Printing & stationery expenses		(223)	(257)
Other expenses		(1,562)	(1,630)
Profit before income tax expense		13,994	16,441
Income tax expense	4	(797)	(1,140)
Profit for the period		13,197	15,301
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of a foreign operation		(257)	226
Other comprehensive loss for the period			
Total comprehensive income for the period		12,940	15,527
Profit is attributable to:			
- Owners of the parent		12,923	14,927
- Non-controlling interests		274	374
		13,197	15,301
Total comprehensive income is attributable to:			
- Owners of the parent		12,666	15,135
- Non-controlling interests		274	392
		12,940	15,527
Earnings per share			
From continuing and discontinuing operations			
Basic (cents per share)		8.20	9.47
Diluted (cents per share)		8.18	9.45

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Consolidated	
		31 Dec 2014 \$'000	30 June 2014 \$'000
Current assets			
Cash and cash equivalents		4,785	4,321
Trade and other receivables		20,680	20,288
Other		1,125	1,071
Total current assets		26,590	25,680
Non-current assets			
Other financial assets		28	25
Property, plant and equipment		935	1,126
Other intangible assets		796	595
Deferred tax assets		1,661	-
Total non-current assets		3,420	1,746
Total assets		30,010	27,426
Current liabilities			
Trade and other payables		7,788	6,423
Borrowings	5	2,000	2,506
Provisions		3,034	2,616
Current tax liabilities		3,787	2,506
Other financial liabilities		-	451
Deferred revenue		1,110	1,635
Other liabilities		-	7,182
Total current liabilities		17,719	23,319
Non-current liabilities			
Borrowings	5	11,276	3,591
Provisions		673	347
Deferred tax liabilities		-	21
Total non-current liabilities		11,949	3,959
Total liabilities		29,668	27,278
Net assets		342	148
Equity			
Issued capital	6	12,546	420
Reserves	7	(14,786)	(4,748)
Retained earnings	8	2,582	3,933
Non-controlling interests		-	543
Total equity		342	148

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Foreign currency translation reserve	Minority interest acquisition	Equity settled employee benefits	Retained earnings	Parent	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2014	420	(276)	(4,472)	-	3,932	(396)	543	147
Profit for the year	-	-	-	-	12,923	12,923	274	13,197
Exchange differences on translation of a foreign operation	-	(257)	-	-	-	(257)	-	(257)
Total comprehensive income for the year	-	(257)	-	-	12,923	12,666	274	12,940
<i>Transactions with owners in their capacity as owners:</i>								
Conversion of units	451	-	-	-	-	451	-	451
Acquisition of non-controlling interest	11,354	-	(10,378)	-	-	976	(159)	817
Issue of ordinary shares	321	-	-	-	-	321	-	321
Recognition of share based payments	-	-	-	597	-	597	-	597
Dividends paid to non-controlling interests	-	-	-	-	-	-	(658)	(658)
Distribution to previous owners	-	-	-	-	(14,273)	(14,273)	-	(14,273)
Total transactions with owners in their capacity as owners	12,126	(257)	(10,378)	597	(14,273)	(11,928)	(817)	(12,745)
Balance as at 31 December 2014	12,546	(533)	(14,850)	597	2,582	342	-	342

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Foreign currency translation reserve	Minority interest acquisition	Retained earnings	Parent	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2013	420	(208)	(4,472)	4,674	414	600	1,014
Profit for the year	-	-	-	14,927	14,927	374	15,301
Exchange differences on translation of a foreign operation	-	208	-	-	208	18	226
Total comprehensive income for the year	-	208	-	14,927	15,135	392	15,527
<i>Transactions with owners in their capacity as owners:</i>							
Dividends paid to non-controlling interests	-	-	-	-	-	(490)	(490)
Distribution to trust unit holders	-	-	-	(16,224)	(16,224)	-	(16,224)
Transactions with non-controlling interest	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	208	-	(16,224)	(16,224)	(490)	(16,714)
Balance as at 31 December 2013	420	-	(4,472)	3,377	(675)	502	(173)

The accompanying notes form part of these financial statements.

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW

	Note	Consolidated Half-Year Ended	
		31 Dec 2014	31 Dec 2013
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		45,090	44,372
Payments to suppliers and employees		(27,433)	(26,222)
Interest received		96	10
Interest paid		(300)	(145)
Income tax paid		(1,328)	(2,117)
Net cash provided by operating activities		16,125	15,898
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(507)	(447)
Net cash used in investing activities		(507)	(447)
Cash flows from financing activities			
Proceeds from (repayment of) borrowings		7,179	(643)
Distributions / dividends paid to previous owners		(22,107)	(16,224)
Net cash used in financing activities		(14,928)	(16,867)
Net increase / (decrease) in cash and cash equivalents		690	(1,416)
Cash and cash equivalents at the beginning of the financial period		4,321	4,609
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies		(226)	125
Cash and cash equivalents at the end of the financial period		4,785	3,318

The accompanying notes form part of these financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

IPH Limited (the 'Company') is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange ('ASX').

The consolidated financial statements comprise the Company and its controlled entries (together referred to as 'IPH' or the 'Group'). The financial report is presented in Australian dollars, which is IPH Limited's functional and presentation currency.

The address of its registered office and principal place of business is as follows:

Level 35
31 Market Street
Sydney NSW 2000

The principal activity of IPH Limited is the provision of intellectual property services throughout the Asia-Pacific region.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial report

The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction the annual financial report of the Spruson & Ferguson Unit Trust for the year ended 30 June 2014, and is available on the ASX website.

It is also recommended that the half-year financial report be considered together with any public announcements made by IPH Limited and its controlled entities during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'.

The condensed consolidated financial statements have been prepared on the basis of historical cost. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Corporate reorganisation

IPH Limited (a shell company) incorporated a subsidiary Spruson & Ferguson Pty Limited on 18 August 2014. On 2 October 2014, Spruson & Ferguson Pty Limited acquired the business, and the controlled entities, of the Spruson & Ferguson Unit Trust as part of corporate re-organisation process.

The accounting treatment for recognising the new group structure is on the basis that the transaction is a form of capital reconstruction and group reorganisation. The consolidated financial statements of IPH Limited and its controlled entities are considered to be a continuation of the Spruson & Ferguson Unit Trust and as such:

- The assets and liabilities recognised and measured in the consolidated financial statements are at the carrying amounts of Spruson & Ferguson Unit Trust rather than at fair value;
- The retained earnings and other equity balances recognised in the consolidated financial statements shall be the existing retained earnings and other equity balances of Spruson & Ferguson Unit Trust.
- The amount recognised as issued equity instruments in the consolidated financial statements has been determined by adding the additional equity issued by the Group to the issued equity recorded in the Spruson & Ferguson Unit Trust's financial statements immediately before the acquisition.

Accordingly, this financial report for the half-year ended 31 December 2014 includes the financial results for the consolidated group under IPH for the current period from acquisition to 31 December 2014 and the consolidated group under the Spruson & Ferguson Unit Trust for the period 1 July 2014 to the date of the restructure. The comparative information presented in the financial report represents the financial position of the Spruson & Ferguson Unit Trust and its controlled entities as at 30 June 2014, and the financial performance of Spruson & Ferguson Unit Trust and its controlled entities for the half-year ended 31 December 2013.

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period.

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

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

The principal accounting policies adopted are consistent with those of the previous financial year, unless stated otherwise.

The Group has consistently applied the accounting policies set out below to all periods presented in these consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis 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. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currencies

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 foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- 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 of the monetary items.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. 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. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue

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 accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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).

(d) 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.

(e) 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.

(f) Income tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the head entity level of the Group.

Deferred tax

Deferred tax is accounted for using the comprehensive Statement of Financial Position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the head entity level of the Group.

In principle, 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 against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax (continued)

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. As part of the restructure to facilitate listing, the Spruson & Ferguson Unit Trust transferred its business to Spruson & Ferguson Pty Limited. This change in legal structure caused a change in the tax status of the operations. This change in tax status has been included in profit and loss for the period.

(g) 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.

(h) 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. Refer to Note 2(m) for further discussion on the determination of impairment losses.

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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.

(j) Financial instruments

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Available-for-sale

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.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and the maturity amount and minus any write-down for impairment.

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.

(k) 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment (continued)

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

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements at cost	6.67% - 16.67%	Straight line
Plant and equipment at cost	5% - 37.5%	Straight line
Furniture, fixtures and fittings at cost	5% - 20%	Straight line
Computer equipment at cost	20% - 33.3%	Straight line
Computer equipment under lease	20% - 33.3%	Straight line

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.

(l) Intangibles

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately 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;
- 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Intangibles (continued)

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.

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.

(m) Impairment of assets

Assets with 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 indicate 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).

(n) 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.

(o) 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases (continued)

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.

(p) Employee benefits

(i) Short and long-term employee benefit

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, 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 service provided by the employees up to reporting date.

(ii) Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(q) Borrowing costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(r) 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.

(s) Share based payments

IPH has adopted a long-term incentive plan ("LTIP") in order to assist in the motivation and retention of key staff. Equity settled share based payments to employees are measured at 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 the assets and liabilities within the next financial year are discussed below:

Key judgements

(i) Allowance for impairment of receivables

The allowance for impairment of receivables assessment requires a degree of estimation and judgement. The level of allowance is assessed by taking into account the recent sales experience, the aging of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

(ii) Leave provisions

Annual leave provisions as at 31 December for the majority of staff is expected to be used within 12 months of balance date. The liability for long service leave is recognised and measured at the present value of the estimated cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) Estimate of asset lives, residual values and depreciation methods

Property, plant and equipment are depreciated over their useful lives taking into account residual values. Useful lives are affected by technology innovations. Future market conditions determine residual values. Depreciation and amortisation is calculated on a straight line basis which may not represent the actual usage of the asset.

(iv) Share based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an external valuation consultant. The Total Shareholder Return (TSR) rights have market conditions therefore requiring a more sophisticated mode. The accounting estimates and assumptions relating to equity settled share based payments have no impact on the carrying amount of assets and liabilities within the next annual reporting period.

(v) Income tax

The Group is subject to income taxes in the jurisdiction in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(vii) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Such deferred tax assets are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of the deferred tax assets is reviewed at the end of each period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(viii) Work in progress

The calculation of work in progress requires a degree of judgement to recognise profit in client assignments and services in progress at balance date.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. INCOME TAX EXPENSE

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2014 \$'000	2013 \$'000
Profit before tax	13,994	16,441
Income tax at 30%	4,198	4,932
Effect of income that is exempt from tax	(1,888)	(2,946)
Effect of first time recognition of deferred tax*	(601)	-
Effect of different tax rates	(1,184)	(846)
Non-deductible items	272	-
Income tax expense	797	1,140

*Deferred taxes have been recognised for the first time on the corporatisation of the Group arising from the restructuring (see note 2).

5. BORROWINGS

On 25 August 2014, IPH Limited and the Principals of the Spruson & Ferguson Unit Trust and Spruson & Ferguson (Asia) Pte Limited ("the Group") entered into a new Facilities Agreement ("the Agreement") with Australian and New Zealand Banking Group Limited. As at the date of the Agreement, previous borrowings under the Working Capital Facility were extinguished.

The facilities under the new Agreement comprise:

- (i) A multi-option facility with a term of three years for the general corporate purposes of the Group. The limit of the facility will range from a minimum of \$14 million to a maximum of \$30 million based on certain criteria.
- (ii) A \$2 million revolving credit facility with a term of on year (subject to annual review) allowing for financial guarantees and standby letters of credit to be issued for the general corporate purposes of the Group.

The facility is secured by charges over the assets of the Group; the Group being defined by the Agreement as comprising of IPH Limited, Spruson & Ferguson Pty Limited, Spruson & Ferguson Lawyers Pty Limited, Spruson & Ferguson (Asia) Pte Ltd, and Spruson & Ferguson SDN BHD .

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. ISSUED CAPITAL

Issued and paid-up capital	31 Dec 2014 \$'000	30 June 2014 \$'000
157,559,499 fully paid ordinary shares (2014: 320 fully paid ordinary units)	12,546	420

Fully paid ordinary units	31 Dec 2014		30 June 2014	
	Number	\$'000	Number	\$'000
Opening balance	320	420	320	420
Subdivision of units	151,999,680	-	-	-
Units converted on IPO	(152,000,000)	(420)	-	-
	-	-	320	420

Fully paid ordinary shares	31 Dec 2014		30 June 2014	
	Number	\$'000	Number	\$'000
Opening Balance	-	-	-	-
Conversion of units *	152,000,000	871	-	-
Acquisition of NCI	5,406,666	11,354	-	-
Issue of shares to employees	57,596	121	-	-
Issue of shares for director services	95,237	200	-	-
Closing Balance	157,559,499	12,546	-	-

*"A" and "C" class units in the Spruson & Ferguson Unit Trust were classified as financial liabilities.

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.

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

Share issues during the period:

- (i) 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 unitholders sold approximately 50% of their shares via IPH (SaleCo) Limited and therefore no additional capital is reflected in the issued capital of IPH Limited.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. RESERVES

	2014 \$'000	2013 \$'000
Foreign currency translation reserve (i)	(533)	(276)
Minority interest acquisition reserve (ii)	(14,850)	(4,472)
Equity settled employee benefits reserve (iii)	597	-
	(14,786)	(4,778)

Nature and purpose of reserves

- (i) Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (Australian dollars) are recognised directly in other comprehensive income and accumulated in the Foreign Currency Translation Reserve (FCTR).
- (ii) Gains or losses on transactions that result in changes in ownership interests while retaining control are recognised in the reserve on changes of controlled entities. The amount recognised represents the difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid or received.
- (iii) The above equity settled employee benefits reserve relates to the performance rights issued by the Company to its employees under its LTIP.

8. RETAINED EARNINGS

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Balance as at 1 July	3,932	4,674
Profit attributable to previous owners	14,816	14,927
Payment of dividends / distributions to previous owners	(14,273)	(16,224)
Balance after distribution to previous owners	4,476	3,377
Profit attributable to owners of the company	(1,893)	-
Balance as at 31 December	2,582	3,377

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NON CONTROLLING INTEREST

	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Balance at beginning of the year	543	600
<i>Transactions with non-controlling interest</i>		
Share of total comprehensive income for the year	274	811
Payment of dividends	(658)	(868)
Acquisition of NCI	(159)	-
Balance at end of the year	-	543

On 3 October 2014 the remaining 7% interest in Spruson & Ferguson (Asia) Pte Limited was acquired, increasing its ownership for 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. FINANCIAL INSTRUMENTS

Capital management

When managing capital, management's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

The capital of the Group consists of net debt (borrowings and other financial liabilities offset by cash and bank balances and equity of the Group comprising issued capital, reserves and retained earnings). The Group is not subject to any externally imposed capital requirements.

Financial risk management objectives

The Board have overall responsibility for identifying and managing the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, fair value risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group does not enter into any derivative financial instruments to manage its exposure to interest rate and foreign currency risk.

(a) Foreign currency risk management

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group undertake certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations. At 31 December 2014, the Group held various foreign currencies as part of cash and cash equivalents, trade receivables, trade payables and borrowings.

Sensitivity

The Group is mainly exposed to the currencies of the US dollars, Singapore dollars and Euros.

If foreign exchange rates were to increase / decrease by 10% from rates used as at the reporting date, then the impact on profit for the year is as follows:

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Foreign currency risk management (continued)

	Dec 2014 \$'000	Jun 2014 \$'000
United States dollars		
+ / - 10% United States dollars		
Decrease on profit before tax	(1,150)	(1,239)
Euro		
+ / - 10% Euros		
Decrease on profit before tax	(139)	(143)
Singapore Dollars		
+ / - 10% Singapore Dollars		
Increase on profit before tax	-	18
Other currencies		
+ / - 10% Other currencies		
Increase on profit before tax	27	20

(b) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Group's main exposure to interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to interest rate risk.

The Group's exposures to interest rate risk on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity

If interest rates were to increase / decrease by 100 basis points, then the impact on profit for the year is as follows:

	Dec 2014 \$'000	Jun 2014 \$'000
+ / - 100 basis points		
Increase on profit before tax	133	61

This is mainly attributable to the Group's exposure to interest rates on its borrowings.

Other price risks

The Group is not exposed to significant equity price risk arising from equity instruments.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk management

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main exposure to credit risk in the Group is represented by the trade receivables owing to the Group.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure of forward exchange contracts is the net fair value of these contracts.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of clients.

(i) Cash deposits

Credit risk for cash deposits is managed by holding all cash deposits with major Australian and overseas banks.

(ii) Trade receivables

Credit risk for trade receivables is managed by performance of a pre-engagement assessment. Outstanding receivables are regularly monitored for payment in accordance with credit terms.

As the Group undertakes transactions with a large number of clients and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk

(d) Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by monitoring cash flows and ensuring adequate borrowing facilities are maintained. The Group actively reviews its funding position to ensure the available facilities are adequate to meet its current and anticipated needs.

For current financing facilities refer to Note 5.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Liquidity risk management (continued)

Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The table also includes the weighted average effective interest rate.

Year ended 31 December 2014	Weighted average effective interest rate %	< 6 months \$'000	6-12 months \$'000	1-5 years \$'000	Total \$'000
Trade payables	-	7,788	-	-	7,788
Borrowings*	3.4%	-	2,034	12,349	14,383
Hire purchase liability	-	-	-	-	-
Net maturities		7,788	2,034	12,349	22,171

Year ended 30 June 2014	Weighted average effective interest rate %	< 6 months \$'000	6-12 months \$'000	1-5 years \$'000	Total \$'000
Trade payables	-	6,423	-	-	6,423
Borrowings*	5.0%	2,401	99	3,528	6,028
Hire purchase liability	6.2%	129	119	131	379
Net maturities		8,953	218	3,659	12,830

* On 25 August 2014, IPH Limited entered into a new Facilities Agreement ("the Agreement") with Australian and New Zealand Banking Group Limited (see Note 5).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 DECEMBER 2014	CARRYING AMOUNT				FAIR VALUE			
	Loans and receivables \$'000	Available for sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value								
Equity securities	-	28	-	28	-	-	28	28
	-	28	-	28	-	-	28	28
Financial assets not measured at fair value								
Trade and other receivables	20,680	-	-	20,680	-	-	-	-
Cash and cash equivalents	4,785	-	-	4,785	-	-	-	-
	25,465	-	-	25,465	-	-	-	-
Trade and other payables	-	-	7,788	7,788	-	-	-	-
Borrowings	-	-	13,276	13,276	-	13,276	-	13,276
Other financial liabilities	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
	-	-	21,064	21,064	-	13,276	-	13,276

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Accounting classifications and fair values (continued)

30 JUNE 2014	CARRYING AMOUNT			FAIR VALUE				
	Loans and receivables \$'000	Available for sale \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value								
Equity securities	-	25	-	25	-	-	25	25
	-	25	-	25	-	-	25	25
Financial assets not measured at fair value								
Trade and other receivables	20,288	-	-	20,288	-	-	-	-
Cash and cash equivalents	4,321	-	-	4,321	-	-	-	-
	24,609	-	-	24,609	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	6,423	6,423	-	-	-	-
Borrowings**	-	-	6,097	6,097	-	6,097	-	6,097
Other financial liabilities	-	-	451	451	-	-	-	-
Other liabilities	-	-	7,182	7,182	-	-	-	-
	-	-	20,153	20,153	-	6,097	-	6,097

** Subsequent to year end, these facilities were extinguished by being repaid in full and therefore fair value approximates carrying value as at 30 June 2014.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Accounting classifications and fair values (continued)

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique
Equity securities	The directors believe financial assets' fair value approximates its cost.

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Borrowings	Discounted cash flows	Not applicable

(ii) Transfers between Level 1 and 2

There were no transfers in either direction in 2014 and 2013.

(iii) Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balance for Level 3 fair values.

Note	Equity securities available for sale	
	Dec 2014 \$'000	Jun 2014 \$'000
Balance at 1 July	25	26
Net foreign currency movements arising from foreign operations	3	(1)
Closing balance	28	25

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**11. SEGMENT INFORMATION****(a) Basis for segmentation**

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group operates in two geographic locations, which are its reportable segments. These business units are managed separately; the Australian office operates as a hub for activities in Australia, New Zealand and the Pacific providing patent, trademark and design filings, and Asia operates as a hub for Asia providing patent, design filing and prosecution services.

There are varying levels of integration between the Australian and Asia segments. This integration includes provision of professional services, shared technology and management services.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. SEGMENT INFORMATION (CONTINUED)

(b) Information about reportable segments

The following is an analysis of the Group's revenue and reserves by responsible operating segment for the half years under review:

Geographical Segments	HALF-YEAR ENDED		HALF-YEAR ENDED		HALF-YEAR ENDED	
	Australia		Asia		Total	
	Dec 2014 \$'000	Dec 2013 \$'000	Dec 2014 \$'000	Dec 2013 \$'000	Dec 2014 \$'000	Dec 2013 \$'000
Revenue and other income	23,456	21,499	18,935	15,131	42,391	36,630
Interest revenue	96	9	-	-	96	9
Inter-segment revenue	9,474	6,507	-	-	9,474	6,507
Segment revenue	33,026	28,015	18,935	15,131	51,961	43,146
Segment profit before tax	13,661	16,411	9,372	6,649	23,033	23,060
Interest income	96	9	-	1	96	10
Depreciation and amortisation	379	300	119	161	498	461

	Australia		Asia		Total	
	Dec 2014 \$'000	Dec 2013 \$'000	Dec 2014 \$'000	Dec 2013 \$'000	Dec 2014 \$'000	Dec 2013 \$'000
	Dec 2014 \$'000	Dec 2013 \$'000	Dec 2014 \$'000	Dec 2013 \$'000	Dec 2014 \$'000	Dec 2013 \$'000
Segment assets	18,053	21,834	12,286	12,196	30,339	34,030
Segment liabilities	(23,726)	(21,964)	(7,399)	(5,662)	(31,125)	(27,626)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. SEGMENT INFORMATION (CONTINUED)

Reconciliation of reportable segments to financial statements

(i) Revenues	31 DEC 2014 \$'000	31 DEC 2013 \$'000
Total revenue for reportable segments	51,961	43,146
Elimination of inter-segment revenue	(9,474)	(6,507)
Consolidated revenue	42,487	36,639
(ii) Profit before tax		
Total profit for reportable segments	23,033	23,060
Elimination of inter-segment profit	(9,039)	(6,619)
Consolidated profit before tax	13,994	16,441
(iii) Assets	31 DEC 2014 \$'000	30 JUN 2014 \$'000
Total assets for reportable segments	35,680	34,030
Elimination of inter-segment assets	(5,370)	(6,604)
Consolidated assets	30,310	27,426
(iv) Liabilities		
Total liabilities for reportable segments	(31,125)	(27,626)
Elimination of inter-segment liabilities	1,457	348
Consolidated liabilities	(29,668)	(27,278)

(c) Major customer

No single customer contributed 10% or more to the Group's revenue during either 2014 or 2013.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. EVENTS SUBSEQUENT TO REPORTING DATE

There have been no events subsequent to balance date which would have a material effect on the Group's consolidated financial statements as at 31 December 2014.

13. SHARE BASED PAYMENTS

The IPH Long Term Incentive Plan ('LTIP') was adopted by the board 27 October 2014. The IPH LTIP 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.

Each employee performance right converts into one ordinary share of IPH Limited on exercise. No amounts are paid or payable by the recipient of the option. The performance rights carry neither rights to dividends nor voting rights.

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

Grant date	Grant date fair value	Exercise Price	Expiry date	Vesting date
19/11/14	1.77	0.00	30/6/18	9/9/17

On 19 November 2014, 275,706 performance rights were issued under the IPH Long Term Incentive Plan. Details of the performance rights granted are set out below.

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk free interest rate	Fair value at grant date
19/11/14	30/6/18	\$2.10	\$0.00	NA	85%	2.5%	\$1.77

The weighted average fair value of the share options granted during the financial year is \$1.77 (2014: NA). The performance rights have features akin to options, except that there is no exercise price payable. As the option pricing models in common use value the deferral of the exercise price, these models were not able to be applied and the performance rights were valued based on the underlying share of the IPH shares, adjusted to the impact of expected dividends. As IPH shares were not listed at the grant date, it is not possible to calculate the historical volatility of the IPH shares, and deemed unnecessary in valuing the performance rights.

Vesting conditions

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 IPH'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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

- 50% of the Performance Rights granted will vest subject to a relative total shareholder return ("TSR") performance hurdle over the relevant vesting period ("TSR Rights"); 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 ("EPS Rights").

TSR Rights

IPH's TSR 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 51st percentile: 0%
- at the 51st percentile: 25%
- better than the 51st 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 targets (being the compound annual EPS growth over the relevant performance period, adjusted to take into account one-off items associated with the Offer, 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%

DIRECTORS' DECLARATION

DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity.

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

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

On behalf of the directors,



David Griffith

Managing Director

26 February 2015

AUDITOR'S INDEPENDENCE DECLARATION



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

26 February 2015

Dear Board Members

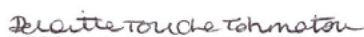
IPH Limited

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

As lead audit partner for the review of the financial statements of IPH Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely


DELOITTE TOUCHE TOHMATSU


Tara Hill
Partner
Chartered Accountant

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

INDEPENDENT AUDITOR'S REPORT

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

We have reviewed the accompanying half-year financial report of IPH Limited, which comprises the condensed consolidated balance sheet as at 31 December 2014, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 12 to 50.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of IPH Limited's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of IPH Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

Deloitte.

Auditor's Independence Declaration

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Tara Hill
Partner
Chartered Accountants
Sydney, 26 February 2015