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ILH Group Limited FY14 First Half Update

ILH Strategy Update

As highlighted at the Annual General Meeting in November 2013, ILH Group Limited (“**ILH**” or the “**Company**”), has been undergoing a significant repositioning and transformation process as the Board looks to achieve size, scale, consistent earnings growth and share price appreciation for the Company.

Specifically, ILH has made changes to its Australian legal business strategy including the implementation of a national branding and marketing strategy which are expected to provide revenue and cost reduction benefits over time. Further, the Board has introduced a complementary business strategy, with the acquisition of two Wealth Management businesses and a professional service focussed Corporate Advisory business (together “**CIPL**”) effective 1 September 2013.

The Board is pleased with the progress of the transformation so far and considers that CIPL will provide ILH with strong growth prospects, recurring revenue and diversification of earnings. CIPL is also highly revenue synergistic with the Company’s existing legal businesses and will provide cross referral opportunities going forward.

With respect to CIPL, the Board is pleased to report that:

- Wealth Management integration has proceeded smoothly and the expected synergies are being realised
- Funds under management have grown 4% since completion to \$464m
- There is a healthy pipeline of active success fee mandates in Corporate Advisory

First Half Guidance

The acquisition of CIPL was a material transaction for the Company and involved extensive due diligence and significant internal resources. As a result, the Company has incurred significant one-off costs in relation to the acquisition which have been expensed in the half year ended 31 December 2014 (“**1H14**”) in accordance with Accounting Standards. The Company has also been progressing a number of other strategic initiatives in the context of its transformation program. These projects have resulted in additional material one-off project costs which have also been expensed in 1H14.

Additionally, weakness in the West Australian economy has impacted 1H14 revenue and earnings. The ILH business began its operations in Perth and the West Australian businesses have represented about half of ILH revenue in recent years. The repositioning and diversification strategy being undertaken by the Company has been driven by the Board's desire to reduce the business risk associated with this particular market segment.

As a result of the one-off acquisition costs and the weakness in Western Australia, the Board advises that the Company will incur a loss of approximately \$1.39m in 1H14. ILH will provide final first half financial results later this week following completion of the audit process.

Outlook

For the second half, the Board expects an improved result across the business with the benefits of the transformation starting to emerge, including the Wealth Management and Corporate Advisory businesses being included for the full 6 months. While the Company expects some further one-off project costs associated with the transformation program in 2H14, these costs are expected to be significantly lower than in 1H14.

Graeme Fowler – Managing Director
25 February 2014