

INTEGRATED LEGAL HOLDINGS

LIMITED
ACN 120 394 194

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Rule 4.7B

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Name of entity

Integrated Legal Holdings Limited

ABN

20 120 394 194

Quarter ended ("current quarter")

30 September 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current Quarter \$A'000	Year to Date (3 months) \$A'000
1.1 Receipts from customers	7,786	7,786
1.2 Payments for (a) staff costs	(6,030)	(6,030)
(b) advertising and marketing	(118)	(118)
(c) research and development	-	-
(d) leased assets	(18)	(18)
(e) other working capital	(1,836)	(1,836)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	38	38
1.5 Interest and other costs of finance paid	(46)	(46)
1.6 Income taxes paid	3	3
1.7 Other (provide details if material)		
- Sundry income	28	28
Net operating cash flows (refer Appendix A)	(193)	(193)

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		Current Quarter \$A'000	Year to Date (3 months) \$A'000
1.8	Net operating cash flows (carried forward)	(193)	(193)
Cash flows related to investing activities			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	(1,253)	(1,253)
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(143)	(143)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	(1,396)	(1,396)
1.14	Total operating and investing cash flows	(1,589)	(1,589)
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc.	-	-
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	1,097	1,097
1.18	Repayment of borrowings	(222)	(222)
1.19	Dividends paid	-	-
1.20	Other (item 1.26):		
	- Share issue expenses	(5)	(5)
	Net financing cash flows	870	870
	Net increase (decrease) in cash held	(719)	(719)
1.21	Cash at beginning of quarter/year-to-date	2,436	2,436
1.22	Exchange rate adjustments to item 1.20	-	-
1.23	Cash at end of quarter	1,717	1,717

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2(a)	117
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	Remuneration paid to executive and non-executive directors of Integrated Legal Holdings Limited and its subsidiaries.	117

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	3,500	3,050
3.2 Credit standby arrangements	638	156

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1,004	1,512
4.2 Deposits at call	713	924
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	1,717	2,436

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	1.Wojtowicz Kelly Legal 2.PLN Lawyers	Nil
5.2 Place of incorporation or registration	1.Western Australia 2.New South Wales	Nil
5.3 Consideration for acquisition or disposal	1.\$153,464 2.\$1,100,000	Nil
5.4 Total net assets	1.(\$22,593) 2.(\$10,538)	Nil
5.5 Nature of business	1.Legal Practice 2.Legal Practice	Nil

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does ~~not~~ ^{not}* (*delete one*) give a true and fair view of the matters disclosed.



Jean-Marie Rudd
Company Secretary

27 October 2011

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

APPENDIX A

Item 1.8 Net operating cash outflows for the quarter

The Integrated Legal Holdings Limited group incurred net operating cash outflows of \$193,000 for the September 2011 quarter. These net outflows are a result of new business acquisitions.

Business acquisitions adversely impact cash resources as debtors and work in progress of the acquired legal practices are not purchased on acquisition. Cash resources are reinvested back into these businesses until working capital levels are built up to their pre-acquisition levels, and the acquired businesses return to a positive cash flow. In many cases this may take a period of up to six months.

The materiality of the acquisitions of Wojtowicz Kelly Legal in February 2011 and PLN Lawyers in August 2011 (see separate disclosure below) to the Integrated Legal Holdings Limited group is significant. There has been a negative impact on operating cash flows for the September 2011 quarter and this may continue for the December 2011 quarter also. Thereafter, the businesses are expected to generate positive operating cash flows for the group.

Item 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None.

Item 1.9(a) Business Acquisitions

i) Acquired legal practice – Wojtowicz Kelly Legal

On 1 February 2011 the Company, through its wholly owned subsidiary, Civic Legal Pty Ltd, acquired the legal practice of Wojtowicz Kelly Legal. Since completion of the transaction, the financial performance of the acquired business exceeded expectations and an amounts were paid as deferred and contingent consideration in relation to the business combination (refer 2011 annual reports for full details of the business combination). The cash flow report for the current quarter reflects an additional acquisition cost of \$153,464.

ii) Acquired legal practice – PLN Lawyers (provisional calculation)

On 1 August 2011 the Company acquired the legal practice of PLN Lawyers under merger arrangements with the existing member firm Argyle Lawyers.

The consideration for the transaction is a combination of the issue of 3.04m shares and \$1.1m in cash (funded through surplus cash reserves), and a \$0.25m contingent cash component payable in September 2012 subject to the PLN Lawyers business achieving revenue and profitability targets for the period to 30 June 2012.

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The following constitutes the provisional calculation of the consideration given and the fair value of net assets acquired:

	\$	
Consideration		
Cash	1,100,000	
Deferred cash consideration	<u>232,653</u>	
Total cash consideration	<u>1,332,653</u>	
Shares issued as consideration	<u>350,000</u>	
Total acquisition cost	<u><u>1,682,653</u></u>	
	Fair Value	Carrying Amount
	\$	\$
Net assets acquired		
Assets		
Plant and equipment	12,398	12,398
Deferred tax asset	<u>6,005</u>	<u>6,005</u>
Total assets acquired	<u><u>18,403</u></u>	<u><u>18,403</u></u>
Liabilities		
Deferred tax liability	8,924	8,924
Provisions	<u>20,017</u>	<u>20,017</u>
Total liabilities acquired	<u><u>28,941</u></u>	<u><u>28,941</u></u>
Net assets acquired	<u><u>(10,538)</u></u>	<u><u>(10,538)</u></u>
Goodwill on acquisition	<u><u><u>1,693,191</u></u></u>	

As the integration of the business is still occurring there may be some movement in the provisional calculation.