

# IPE Limited

ABN 48 107 843 381

## Appendix 4D – Half-Yearly Report

For the half-year ended 31 December 2016

### 1. Reporting period:

This report is for the reporting period from 1 July 2016 to 31 December 2016 and the corresponding period is from 1 July 2015 to 31 December 2015.

### 2. Results for announcement to the market:

|   | Up/Down        | %         | \$              |                  |
|---|----------------|-----------|-----------------|------------------|
| Revenue from ordinary activities (\$'000)                                     | Down           | 34%       | 3,761           |                  |
| Loss from ordinary activities after tax attributable to members (\$'000)      | Down           | 106%      | (246)           |                  |
| Net loss for the period attributable to members (\$'000)                      | Down           | 106%      | (246)           |                  |
| Dividend and capital return information                                       |                |           |                 |                  |
| Cents per share   | Type           | % Franked | Record Date     | Payment Date     |
| 3.80  | Capital Return | N/A       | 9 November 2016 | 25 November 2016 |
| 2.20  | Dividend       | 100%      | 9 November 2016 | 25 November 2016 |
| (DRP currently not in operation)  |                |           |                 |                  |
| Refer to attached narrative for explanation of results in the current period. |                |           |                 |                  |

### 3. Net tangible assets (NTA):

|               | Dec 2016<br>(per share) | Dec 2015<br>(per share) |
|---------------|-------------------------|-------------------------|
| NTA after tax | \$0.153                 | \$0.310                 |

*This report is based on the Half-Yearly Financial Report which has been subject to review by the Company's auditors. All the documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the most recent Annual Report and any public announcements made by IPE Limited during the period in accordance with its continuous disclosure obligations.*

# IPE Limited

ABN 48 107 843 381

15 February 2017

The Board of Directors of IPE Limited presents its results for the half year ended 31 December 2016:

## Review

### Introduction

|                                  |   |
|----------------------------------|---|
| Net loss after tax               | \$0.25 million  |
| Net assets                       | \$20.52 million   |
| NTA (post tax) released to ASX   | \$0.153 per share   |
| Debt                             | nil   |
| Cash                             | \$2.78 million  |
| Cash paid to shareholders        | 3.80 cps (November - return of capital of \$5.1m)<br>2.20 cps (November - dividend of \$3.0m) |
| Number of private equity funds   | 10  |
| Number of underlying investments | 21  |
| Undrawn commitments              | \$1.4 million   |

### Financial results

Exit activity in the portfolio continued at a good pace during the six months, generating significant cash to the Company. This enabled payment to shareholders on 25 November of \$8.1 million which was about 28% of the net assets at 30 June. The payment was a 3.8 cents per share return of capital as well as a 2.2 cent per share dividend which was 100% franked, utilising almost all of the available imputation credits. If material amounts of cash continue to flow into the Company over the next few months a further payment to shareholders is likely.

Net Tangible Assets ("NTA") per share released to the ASX as at 31 December was \$0.160 pre-tax (\$0.220 at 30 June) and \$0.153 post-tax (\$0.213 at 30 June). The change was primarily the result of the payment of the 6.00 cents per share return of capital and dividend in late November as the investment and operating expenses (including, for the first time, a performance fee to the Manager as the relevant hurdles had been exceeded over the three year period to 30 November) incurred during the period were mostly offset by modest positive changes in the value of the investments in the Company portfolio.

Reflecting the minimal change in NTA before the payment to shareholders, the half year produced a loss of \$0.25 million compared with a profit \$3.64 million in the prior corresponding period.

The next six months could produce volatile results for the Company. The portfolio is now quite concentrated and, while individual exposures continue to show promise, it will not be immune to macro-economic factors. Markets have recently reached relative highs but the uncertainty surrounding the incoming Trump administration suggests that those highs may not be sustainable without more reliable and consistent signals out of the USA.

## Capital management

At 31 December 2016 the Company had only \$1.4 million (\$1.5 million at 30 June) of undrawn private equity commitments, available for portfolio support and other fund requirements over the next couple of years. The Company has no debt and the cash balance at period end was \$2.8 million.

Despite only a small number of purchases since its introduction in late 2015 the Board decided to continue the on-market share buyback as a way of enhancing shareholder value should any sustained share price weakness arise.

Capital returns to shareholders continued during the six months and at the Annual General Meeting shareholders again approved a resolution that will allow the efficient return of further capital during calendar 2017 should the Board deem it prudent to declare a payment out of excess cash reserves. Over the next few months the Company will approach the ATO for confirmation of the tax status of capital returns paid since 1 July 2016 with the aim of providing confirmation, via an ASX release, before shareholders need to complete their tax returns for FY 2017.

## Private Equity Portfolio

The Company's private equity fund portfolio now contains 10 funds all of which have complete portfolios and are assessing the optimal time to exit their investments. There were 11 funds at 30 June but the interest in Catalyst Buyout Fund 1 was terminated during the period. Strong cash inflows continued over the six months with receipts of more than \$10.7 million while the portfolio called about \$0.1 million. Major sources of the inflows were:

- Receipt of the proceeds of Wolseley II's sales of Nexus and Abergeldie prior to 30 June;
- The exit of the co-investment in the listed Vitaco, following a takeover offer (ASX code: VIT);
- The final sell-down of the Link Group by PEP III, (ASX code: LNK);
- A partial sell-down of the IVE Group by Wolseley Partners II, (ASX code: IGL);
- The total exit of NZ King Salmon (a Direct Capital III investment) on its successful IPO; and
- The exit of BBQSAM by Ironbridge.

In addition, in November, Wolseley Partners announced the sale of Façade Access with settlement expected to take place in a couple of tranches in 2017 (the first, and major amount, is currently expected around the end of February).

At period end there were still 21 companies in the underlying private equity funds and many of these funds will also be seeking exits for some of their investments during 2017. However the portfolio value is now dominated by a relatively small number of investments (at 31 December the seven largest exposures represented more than 70% of the total portfolio value) and it will be the exit of these that could drive value and cash flows to the company with the other investments unlikely to provide any material accretion of value.

To keep up to date with the Company's portfolio, investors are encouraged to visit the website at [www.ipelimited.com.au](http://www.ipelimited.com.au) which contains links to the funds and, from those sites, to most of the underlying portfolio companies.

**Sydney, 15 February 2017**

## Summary of private equity funds

Portfolio holdings at 31 December 2016 are outlined below:

| Fund name                        | Investment stage focus | Fund size | Committed   | Capital drawn | Capital to be drawn | Cash back   |
|----------------------------------|------------------------|-----------|-------------|---------------|---------------------|-------------|
|                                  |                        | \$m       | \$m         | \$m           | \$m                 | \$m         |
| Archer Capital Fund 4            | Buyout                 | 1,312.4   | 9.7         | 9.1           | 0.6                 | 14.1        |
| CM Capital Venture Trust 4       | Venture Capital        | 153.5     | 8.0         | 7.8           | 0.2                 | 0.6         |
| Direct Capital Partners III      | Expansion/Buyout       | 57.1      | 7.0         | 6.9           | 0.1                 | 11.8        |
| Ironbridge Capital 2003/4 Fund   | Buyout                 | 450.0     | 5.0         | 4.8           | 0.2                 | 4.5         |
| NBC Private Equity Fund III      | Expansion/Buyout       | 101.2     | 10.0        | 10.0          | -                   | 4.1         |
| Pacific Equity Partners Fund III | Buyout                 | 1,214.0   | 7.6         | 7.5           | 0.1                 | 15.5        |
| Pacific Equity Partners Fund IV  | Buyout                 | 3,061.0   | 7.4         | 7.2           | 0.2                 | 9.9         |
| Quadrant Private Equity No. 1    | Expansion/Buyout       | 265.0     | 8.0         | 8.0           | -                   | 9.8         |
| Wolseley Partners Fund I         | Expansion/Buyout       | 107.4     | 8.0         | 8.0           | -                   | 2.4         |
| Wolseley Partners Fund II        | Expansion/Buyout       | 235.0     | 10.0        | 10.0          | -                   | 10.0        |
| <b>Totals</b>                    |                        |           | <b>80.7</b> | <b>79.3</b>   | <b>1.4</b>          | <b>82.7</b> |

\* numbers subject to rounding

## Summary of realisations

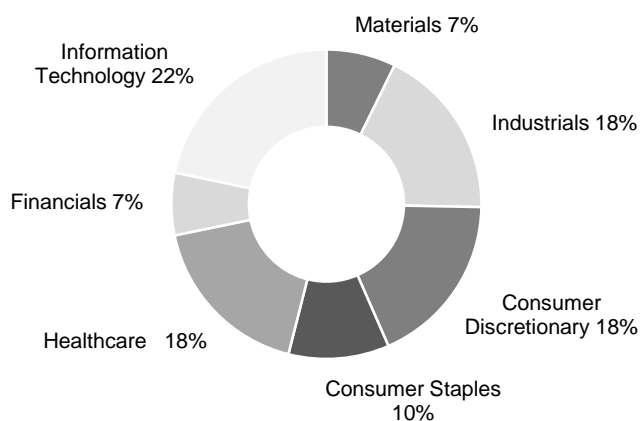
| Fund                        | Company        | Total return as a multiple of cost |
|-----------------------------|----------------|------------------------------------|
| Co-investment               | Vitaco         | 2.8x                               |
| Direct Capital III          | NZ King Salmon | 1.6x                               |
| Ironbridge 2003/4           | BBQSAM         | 0.5x                               |
| Pacific Equity Partners III | Link Group     | 7.6x                               |
| Wolseley Partners Fund II   | Byron          | 0.0x                               |

### Summary of 15 largest private equity exposures

(as a percentage of the value of the Company's private equity assets as at 31 December 2016).

| Fund            | Date invested | Company                        | Percentage   |
|-----------------|---------------|--------------------------------|--------------|
| CM Capital 4    | Feb 08        | ThreatMetrix                   | 14.9%        |
| Wolseley I & II | Apr 07        | Facade Access                  | 14.5%        |
| CM Capital 4    | Oct 07        | Piedmont Pharmaceuticals       | 10.7%        |
| NBC III         | Dec 12        | Degani Australia               | 9.9%         |
| NBC III         | Oct 13        | Didasko Learning               | 8.5%         |
| Wolseley II     | Nov 12        | IVE Group (ASX code: IGL)      | 7.3%         |
| Archer 4        | Jun 11        | Quick Service Restaurants      | 6.8%         |
| CM Capital 4    | Jun 07        | Osprey Medical (ASX code: OSP) | 4.2%         |
| CM Capital 4    | Jul 08        | Datacastle Corp                | 4.2%         |
| PEP IV          | Jun 08        | American Stock Transfer        | 3.4%         |
| Quadrant 1      | Mar 06        | Seniors Money                  | 3.1%         |
| NBC III         | Aug 13        | Statseeker                     | 2.5%         |
| CM Capital 4    | Jun 09        | Speedx                         | 2.2%         |
| Wolseley II     | Jul 10        | Abergeldie Group               | 1.9%         |
| Archer 4        | Jun 11        | V8 Supercars                   | 1.3%         |
|                 |               | <b>Total (rounded)</b>         | <b>95.4%</b> |

### Industry sector exposure at period end



# **IPE Limited**

**ABN 48 107 843 381**

**Interim Financial Report  
31 December 2016**

## Directors' Report

The Directors submit their report for the half-year ended 31 December 2016.

### Directors

The names and details of the Company's Directors in office during the half-year and until the date of this report are as follows:

| Director Name  | Position   | Appointment Date |
|----------------|--|------------------|
| Geoff Brunsdon | Independent, Non-Executive Director and Chairman | 3 February 2004  |
| Jon Schahinger | Managing Director                                | 3 February 2004  |
| Tony Sims      | Independent, Non-Executive Director              | 16 June 2016     |

### Review and results of operations

During the reporting period, the Company engaged in its principal activity, holding long term investments in private equity funds, the results of which are enclosed in the attached financial statements.

### Operating Results for the Period

The Company once again enjoyed a productive six months with strong cash inflows from exit activity, mainly resulting from the sales of previously escrowed listed stock and deferred settlements on prior exits. This enabled 6.0 cents per share to be paid to shareholders in a combination of capital return and dividend – a total of \$8.1 million.

During the period, the Company made a net loss for the period of \$245,207 after providing for income tax (2015: net profit: \$3,639,562).

| Earnings per share for the reporting period based on the weighted average number of ordinary shares | 2016   | 2015 |
|---|--------|------|
| Basic earnings per share (cents per share)  | (0.18) | 2.67 |
| Diluted earnings per share (cents per share)  | (0.18) | 2.67 |

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company that occurred during the financial half-year.

### Dividends and capital returns

Dividends and capital returns paid or declared by the Company since the end of the previous financial year were:

| Declaration date | Payment type   | Cents per share | Total amount \$'000 | Payment date     |
|------------------|----------------|-----------------|---------------------|------------------|
| 26 October 2016  | Capital Return | 3.80            | 5,154               | 25 November 2016 |
| 26 October 2016  | Dividend       | 2.20            | 2,984               | 25 November 2016 |

### Matters subsequent to the end of the financial half-year

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company.

## Directors' Report (continued)

### **Rounding**

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports) effective 1 April 2016 and in accordance with that rounding instrument, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

### **Auditor's independence declaration**

A statement of independence has been provided by our auditor, Grant Thornton, and is attached to the Directors' Report on the following page.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Geoff Brunsdon', followed by a long horizontal line.

**Geoff Brunsdon**

Chairman

Sydney

15 February 2017





# Grant Thornton

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## **Auditor's Independence Declaration To the Directors of IPE Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of IPE Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

G S Layland  
Director - Audit & Assurance

Sydney, 15 February 2017

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## Statement of Financial Position

| As at                                | 31 December<br>2016<br>\$'000 | 30 June<br>2016<br>\$'000 |
|--------------------------------------|-------------------------------|---------------------------|
| <b>Current assets</b>                |                               |                           |
| Cash and cash equivalents            | 2,784                         | 1,035                     |
| Receivables                          | 82                            | 15                        |
| Prepayments                          | 27                            | 9                         |
| <b>Total current assets</b>          | <b>2,893</b>                  | <b>1,059</b>              |
| <b>Non-current assets</b>            |                               |                           |
| Unlisted private equity investments  | 18,997                        | 28,898                    |
| Deferred tax assets                  | 21                            | 23                        |
| <b>Total non-current assets</b>      | <b>19,018</b>                 | <b>28,921</b>             |
| <b>Total assets</b>                  | <b>21,911</b>                 | <b>29,980</b>             |
| <b>Current liabilities</b>           |                               |                           |
| Payables and other liabilities       | 454                           | 108                       |
| Current tax liabilities              | 938                           | 968                       |
| <b>Total current liabilities</b>     | <b>1,392</b>                  | <b>1,076</b>              |
| <b>Non-current liabilities</b>       |                               |                           |
| Deferred tax liabilities             | -                             | 1                         |
| <b>Total non-current liabilities</b> | <b>-</b>                      | <b>1</b>                  |
| <b>Total liabilities</b>             | <b>1,392</b>                  | <b>1,077</b>              |
| <b>Net assets</b>                    | <b>20,519</b>                 | <b>28,903</b>             |
| <b>Equity</b>                        |                               |                           |
| Issued capital                       | 45,099                        | 50,253                    |
| Accumulated loss                     | (24,580)                      | (21,350)                  |
| <b>Total equity</b>                  | <b>20,519</b>                 | <b>28,903</b>             |

The above Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements set out on pages 14 to 19.

## Statement of Profit or Loss and Other Comprehensive Income

| For the half-year ended 31 December                     | 2016<br>\$'000 | 2015<br>\$'000 |
|---|----------------|----------------|
| <b>Revenue</b>  |                |                |
| Dividend and distribution revenue                       | 3,738          | 3,631          |
| Net increase in fair value of investments               | -              | 2,048          |
| <b>Expenses</b>   |                |                |
| Net decrease in fair value of investments               | (2,929)        | -              |
| Fees payable to Manager                                 | (416)          | (191)          |
| Directors' fees   | (35)           | (35)           |
| Co-Investment fees to external managers                 | (417)          | (92)           |
| Other expenses  | (140)          | (121)          |
| <b>Results from operating activities</b>                | <b>(199)</b>   | <b>5,240</b>   |
| Finance income  | 23             | 61             |
| <b>Net finance income</b>                               | <b>23</b>      | <b>61</b>      |
| <b>(Loss)/profit before income tax</b>                  | <b>(176)</b>   | <b>5,301</b>   |
| Income tax expense                                      | (70)           | (1,661)        |
| Other comprehensive income for the period               | -              | -              |
| <b>Total comprehensive (loss)/income for the period</b> | <b>(246)</b>   | <b>3,640</b>   |

| Earnings per share (EPS)   | December<br>2016 | December<br>2015 |
|--|------------------|------------------|
| <b>EPS based on the weighted average number of ordinary shares (cents per share)</b> |                  |                  |
| Basic and diluted earnings per share for the half year                               | (0.18)           | 2.67             |

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements set out on pages 14 to 19.

## Statement of Changes in Equity

| For the half-year ended 31 December 2016                     |                             |                                 |                 |
|--|-----------------------------|---------------------------------|-----------------|
|  | Issued<br>Capital<br>\$'000 | Accumulated<br>Losses<br>\$'000 | Total<br>\$'000 |
| At 30 June 2016  | 50,253                      | (21,350)                        | 28,903          |
| <b>Total comprehensive income for the period</b>             |                             |                                 |                 |
| Loss for the period  | -                           | (246)                           | (246)           |
| <b>Total comprehensive loss for the period</b>               | -                           | (246)                           | (246)           |
| <b>Transactions with owners, recorded directly in equity</b> |                             |                                 |                 |
| Dividends declared and paid                                  | -                           | (2,984)                         | (2,984)         |
| Capital returned to shareholders                             | (5,154)                     | -                               | (5,154)         |
| Shares bought back on market                                 | -                           | -                               | -               |
| <b>Total transactions with owners</b>                        | (5,154)                     | (2,984)                         | (8,138)         |
| <b>At 31 December 2016</b>                                   | <b>45,099</b>               | <b>(24,580)</b>                 | <b>20,519</b>   |

| For the half-year ended 31 December 2015                     |                             |                                 |                 |
|--|-----------------------------|---------------------------------|-----------------|
|  | Issued<br>Capital<br>\$'000 | Accumulated<br>Losses<br>\$'000 | Total<br>\$'000 |
| At 30 June 2015  | 60,372                      | (14,233)                        | 46,139          |
| <b>Total comprehensive income for the period</b>             |                             |                                 |                 |
| Profit for the period  | -                           | 3,640                           | 3,640           |
| <b>Total comprehensive income for the period</b>             | -                           | <b>3,640</b>                    | <b>3,640</b>    |
| <b>Transactions with owners, recorded directly in equity</b> |                             |                                 |                 |
| Dividends declared and paid                                  | -                           | (1,366)                         | (1,366)         |
| Capital returned to shareholders                             | (6,146)                     | -                               | (6,146)         |
| Shares bought back on market                                 | (147)                       | -                               | (147)           |
| <b>Total transactions with owners</b>                        | (6,293)                     | (1,366)                         | (7,659)         |
| <b>At 31 December 2015</b>                                   | <b>54,079</b>               | <b>(11,959)</b>                 | <b>42,120</b>   |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements set out on pages 14 to 19.

## Statement of Cash Flows

| For the half-year ended 31 December                                   | 2016<br>\$'000 | 2015<br>\$'000 |
|---|----------------|----------------|
| <b>Cash flows from operating activities</b>                           |                |                |
| Dividends and distributions received                                  | 3,625          | 6,133          |
| Interest received   | 90             | 68             |
| Taxes paid  | (93)           | (190)          |
| Payments to suppliers and Directors                                   | (725)          | (413)          |
| <b>Net cash flows from operating activities</b>                       | <b>2,897</b>   | <b>5,598</b>   |
| <b>Cash flows from investing activities</b>                           |                |                |
| Proceeds from sale of unlisted private equity investments             | 2,118          | -              |
| Purchases of unlisted private equity investments                      | (101)          | (219)          |
| Proceeds from capital returned on unlisted private equity investments | 4,973          | 3,355          |
| Proceeds of loans to shareholders of co-investments                   | -              | 37             |
| <b>Net cash flows from investing activities</b>                       | <b>6,990</b>   | <b>3,173</b>   |
| <b>Cash flows from financing activities</b>                           |                |                |
| Share buy-back  | -              | (147)          |
| Capital returns paid  | (5,154)        | (6,146)        |
| Dividends paid  | (2,984)        | (1,366)        |
| <b>Net cash flows used in financing activities</b>                    | <b>(8,138)</b> | <b>(7,659)</b> |
| <b>Net increase in cash &amp; cash equivalents held</b>               | <b>1,749</b>   | <b>1,112</b>   |
| Add opening cash and cash equivalents brought forward                 | 1,035          | 4,854          |
| <b>Cash and cash equivalents at end of the period</b>                 | <b>2,784</b>   | <b>5,966</b>   |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements set out on pages 14 to 19.

# Notes to the Financial Statements

For the half-year ended 31 December 2016

## 1. Corporate Information

The half-year financial report of IPE Limited for the period ended 31 December 2016 was authorised for issue in accordance with a resolution of the Board of Directors on 15 February 2017.

IPE Limited is a Company limited by shares incorporated in Australia which are publicly traded on the Australian Stock Exchange.

## 2. Summary of significant accounting policies

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the Company as the full financial report. The half-year financial report should be read in conjunction with the annual financial report of IPE Limited as at 30 June 2016. It is also recommended that the half-year financial report be considered together with any public announcements made by the Company during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under the Australian Stock Exchange Listing Rules and the *Corporations Act 2001*.

### (a) Statement of compliance

These interim financial statements have been prepared in accordance with AASB 134: *“Interim Financial Reporting”*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 30 June 2016.

### (b) Basis of preparation

The half-year financial report has been prepared on a historical cost basis, except for the Company's private equity investments that have been measured at fair value.

These financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/ Directors' Reports) effective 1 April 2016 and in accordance with that rounding instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

### (c) Changes in accounting policies

The accounting policies applied by the Company in the half-year financial statements are the same as those applied by the Company in its annual financial statements for the year ended 30 June 2016.

### (d) Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial report as at and for the year ended 30 June 2016.

## Notes to the Financial Statements (continued)

For the half-year ended 31 December 2016

### 3. Dividends and capital returns

The following dividends and capital returns were paid by the Company during the period:

| Declaration date | Payment type   | Cents per share | Total amount<br>\$'000 | Payment date     |
|------------------|----------------|-----------------|------------------------|------------------|
| 26 October 2016  | Capital Return | 3.80            | 5,154                  | 25 November 2016 |
| 26 October 2016  | Dividend       | 2.20            | 2,984                  | 25 November 2016 |

The following dividends were paid by the Company in the previous corresponding period:

| Declaration date | Payment type   | Cents per share | Total amount<br>\$'000 | Payment date    |
|------------------|----------------|-----------------|------------------------|-----------------|
| 28 October 2015  | Capital Return | 4.50            | 6,146                  | 2 December 2015 |
| 28 October 2015  | Dividend       | 1.00            | 1,366                  | 2 December 2015 |

The Company's dividend reinvestment plan has been suspended.

No dividends or capital returns have been declared since the end of the period.

### 4. Operating Segments

The Company has one operating segment: Investments in Private Equity. For this segment, the Managing Director reviews internal management reports in relation to the Company's private equity investments on at least a monthly basis.

| Reportable segment information              | Private Equity Investment Segment |                         |
|---|-----------------------------------|-------------------------|
|   | December 2016<br>\$'000           | December 2015<br>\$'000 |
|   |                                   |                         |
| External revenues                           | 3,738                             | 5,679                   |
| Reportable segment profit before income tax | 24                                | 5,396                   |
|   | December 2016<br>\$'000           | June 2016<br>\$'000     |
| Reportable segment assets                   | 19,053                            | 28,908                  |
| Reportable segment liabilities              | -                                 | -                       |

## Notes to the Financial Statements (continued)

For the half-year ended 31 December 2016

| <b>Reconciliation of reportable segment profit</b>           | <b>December<br/>2016<br/>\$'000</b> | <b>December<br/>2015<br/>\$'000</b> |
|--|-------------------------------------|-------------------------------------|
| Total (loss)/profit before income tax for reportable segment | (24)                                | 5,396                               |
| Unallocated amounts:   |                                     |                                     |
| Non segment revenues   | 23                                  | 61                                  |
| Other corporate expenses                                     | (175)                               | (156)                               |
| <b>(Loss)/profit before income tax</b>                       | <b>(176)</b>                        | <b>5,301</b>                        |

| <b>Reconciliation of reportable segment assets</b> | <b>December<br/>2016<br/>\$'000</b> | <b>June<br/>2016<br/>\$'000</b> |
|--|-------------------------------------|---------------------------------|
| Total assets for reportable segment                | 19,053                              | 28,908                          |
| Other assets                                       | 2,858                               | 1,072                           |
| <b>Total assets</b>                                | <b>21,911</b>                       | <b>29,980</b>                   |

| <b>Reconciliation of reportable segment liabilities</b> | <b>December<br/>2016<br/>\$'000</b> | <b>June<br/>2016<br/>\$'000</b> |
|---|-------------------------------------|---------------------------------|
| Total liabilities for reportable segment                | -                                   | -                               |
| Other liabilities                                       | 1,392                               | 1,077                           |
| <b>Total liabilities</b>                                | <b>1,392</b>                        | <b>1,077</b>                    |

### Geographical segments

The Company's investments are domiciled in Australia and New Zealand (2015: Australia and New Zealand).

In presenting information on the basis of geographical segments, segment revenue and non-current assets are based on the geographical location of investments.

| <b>Revenues/(expenses)</b> | <b>December<br/>2016<br/>\$'000</b> | <b>December<br/>2015<br/>\$'000</b> |
|----------------------------|-------------------------------------|-------------------------------------|
| Australia                  | 2,730                               | 3,948                               |
| New Zealand                | 1,008                               | 1,731                               |
| <b>Total revenue</b>       | <b>3,738</b>                        | <b>5,679</b>                        |

| <b>Non-current investment assets</b>       | <b>December<br/>2016<br/>\$'000</b> | <b>June<br/>2016<br/>\$'000</b> |
|--|-------------------------------------|---------------------------------|
| Australia                                  | 18,719                              | 27,513                          |
| New Zealand                                | 278                                 | 1,385                           |
| <b>Total non-current investment assets</b> | <b>18,997</b>                       | <b>28,898</b>                   |



## Notes to the Financial Statements (continued)

For the half-year ended 31 December 2016

### 5. Income tax expense

| Reconciliation between tax expense and pre-tax accounting profit                 | December<br>2016<br>\$'000 | December<br>2015<br>\$'000 |
|--|----------------------------|----------------------------|
| (Loss)/profit for the period   | (246)                      | 3,640                      |
| Total income tax expense   | 70                         | 1,661                      |
| (Loss)/profit excluding income tax   | (176)                      | 5,301                      |
| Income tax using the Company's tax rate of 30% (2015: 30%)                       | (53)                       | 1,590                      |
| Permanent differences in relation to deferred and current income and expenditure | 144                        | 696                        |
| Gross up of income due to franking credits received                              | 10                         | 1                          |
| Franking credit rebate   | (33)                       | (2)                        |
| Over provision in prior years  | 2                          | (624)                      |
| Income tax expense reported in income statement                                  | 70                         | 1,661                      |

### 6. Commitments

Estimated commitments contracted for, but yet to be called as at 31 December 2016 are \$1.4 million (30 June 2016: \$1.5 million).

These commitments reflect the capital commitment in respect of future investments in current private equity investments held. All of the private equity funds in the portfolio have completed their investment programs so future drawdowns are likely to be for modest amounts and portions of the undrawn commitments are likely to be cancelled as future requirements become more certain.

The Board aims to achieve sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

### 7. Contingent liabilities and contingent assets

#### (a) Contingent liabilities

There have not been any changes in contingent liabilities since the last reporting date. The contingent liabilities of the Company are nil (June 2016: nil).

#### (b) Contingent assets

There have not been any changes in contingent assets since the last reporting date. The contingent assets of the Company are nil (June 2016: nil).

### 8. Subsequent events

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company.

## Notes to the Financial Statements (continued)

For the half-year ended 31 December 2016

### 9. Fair value measurement of financial instruments

#### (a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2016 and 30 June 2016 on a recurring basis are as follows:

| 31 December 2016   | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| Financial assets designated as fair value through profit or loss | -                 | -                 | 18,997            | 18,997          |
|  | -                 | -                 | 18,997            | 18,997          |

| 30 June 2016   | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| Financial assets designated as fair value through profit or loss | -                 | -                 | 28,898            | 28,898          |
|  | -                 | -                 | 28,898            | 28,898          |

#### (b) Measurement of fair value of financial instruments

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

#### Unlisted private equity investments

The Company's investments are valued differently according to their differing legal structures:

- Investments in private equity trusts are valued by multiplying a unit price provided by the investment manager by the number of units the Company holds in the trust;
- Venture Capital Limited Partnerships (VCLP) are valued using a value of the VCLP assets provided by the investment manager of the partnership proportioned by the Company's share of VCLP assets under the partnership agreement; and
- Direct private equity investments are valued using a value of the direct investment provided by the investment manager of the investment, proportioned by the share of equity in the investment which the Company holds.

## Notes to the Financial Statements (continued)

For the half-year ended 31 December 2016

### (c) Level 3 fair value measurements

The following table presents the changes in financial instruments classified within Level 3:

| <b>Reconciliation of Level 3 balances in the fair value hierarchy</b>     | <b>2016<br/>\$'000</b> | <b>2015<br/>\$'000</b> |
|---|------------------------|------------------------|
| Beginning balance at 30 June  | 28,898                 | 39,355                 |
| Unrealised (losses)/gains for the period recognised in the profit or loss | (2,911)                | 2,041                  |
| Purchases and calls paid for unlisted private equity investments          | 101                    | 327                    |
| Capital returns from unlisted private equity investments                  | (4,973)                | (5,841)                |
| Proceeds from sale of unlisted private equity investments                 | (2,118)                | -                      |
| Proceeds received from repayment of direct investment loans               | -                      | (32)                   |
| Ending balance at 31 December   | 18,997                 | 35,850                 |

There have been no transfers between the levels of the fair value hierarchy during the six months to 31 December 2016.

### 10. Fees to the manager

The Manager is entitled to a Management Fee which is calculated on the last business day of each month and paid no less frequently than quarterly. Fees for the period to 31 December 2016 were \$116,104 (2015: \$186,611).

The Manager is also entitled to a Performance Fee calculated annually over three year rolling periods ending on 30 November each year. During the period to 31 December 2016 a Performance Fee became payable for the period 30 November 2013 to 30 November 2016 amounting to \$289,989 (2015: nil).

## Directors' Declaration

In the opinion of the Directors of IPE Limited (the Company):

- (a) the financial statements and notes set out on pages 10 to 19 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

A handwritten signature in black ink, appearing to read 'Geoff Brunsdon', followed by a long horizontal line.

**Geoff Brunsdon**

Chairman

Sydney

15 February 2017

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## **Independent Auditor's Review Report To the Members of IPE Limited**

We have reviewed the accompanying half-year financial report of IPE Limited ("Company"), which comprises the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration.

### **Directors' responsibility for the half-year financial report**

The directors of IPE Limited 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 controls 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 the 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 the IPE Limited financial position as at 31 December 2016 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 IPE Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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.

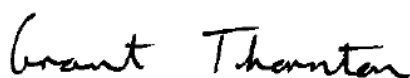
**Independence**

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

**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 IPE Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



G S Layland  
Director - Audit & Assurance

Sydney, 15 February 2017