

IPE Limited

ABN 48 107 843 381

Appendix 4D – Half-Yearly Report

For the half-year ended 31 December 2014

1. Reporting period:

This report is for the reporting period from 1 July 2014 to 31 December 2014 and the corresponding period is from 1 July 2013 to 31 December 2013.

2. Results for announcement to the market:

				Up/(Down)	%	\$
Revenue from ordinary activities (\$'000)				Down	78%	1,130
Profit from ordinary activities after tax attributable to members (\$'000)				Down	82%	579
Net profit for the period attributable to members (\$'000)				Down	82%	579
Dividend and capital return information						
Cents per share	Type	% Franked	Record Date		Payment Date	
4.00	Capital Return	N/A	7 July 2014		18 July 2014	
3.50	Capital Return	N/A	27 August 2014		16 September 2014	
3.00	Dividend	100%	17 November 2014		4 December 2014	
(DRP currently not in operation)						
Refer to attached narrative for explanation of results in the current period.						

3. Net tangible assets (NTA):

	Dec 2014 (per share)	Dec 2013 (per share)
NTA after tax	\$0.362	\$0.465

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

20 February 2015

The Board of Directors of IPE Limited presents its results for the half year ended 31 December 2014:

Review

Introduction

Net profit after tax	\$0.6 million
Net assets	\$49.5 million
Net tangible asset backing (post tax)	\$0.362 per share
Debt	Nil
Debt facility limit	\$2 million
Cash	\$4.0 million
Cash paid to shareholders	4.00 cps (July – return of capital of \$5.5m) 3.50 cps (September - return of capital of \$4.8m) 3.00 cps (December - dividend of \$4.1m)
Number of private equity funds	16
Number of underlying investments	50
Undrawn commitments	\$4.6 million

Following a very active 2014 financial year, portfolio activity in the six months to 31 December was a little more subdued. Nevertheless, exit activity continued with a number of good sales enabling the Company to add to the capital return declared in June with a further return in September and a dividend in December. More than \$14 million was paid to shareholders over the six months.

The financial markets were receptive to M&A and IPO activity but with a depreciating Australian dollar and weakness in oil and other commodity prices, we have entered calendar 2015 with a landscape that presents doubts that we shall experience similar conditions over the next six months.

Financial results

The half year produced a profit of \$0.58 million compared with \$3.14 million in the prior corresponding period. Uplifts in valuations were more modest than experienced in the prior period and the unrealised valuations at 31 December reflected a cautious outlook, appropriate against the mixed market signals that have been evident towards the end of calendar 2014.

Net Tangible Assets (“NTA”) per share at 31 December was \$0.344 pre-tax (\$0.416 at 30 June) and \$0.362 post-tax (\$0.423 at 30 June). The change was the net result of changes in unrealised values reduced by the payments of the 3.50 cents per share return of capital in September and the 3.00 cents per share dividend in December (the return of capital paid in July was included as a provision in the June NTA).

It was very pleasing to be able to continue the flow of cash to shareholders. The 3.00 cents per share dividend had tax benefits attached - it was 100 % franked and also consisted of 85% LIC Gains. Once again, these benefits have depleted the balances of both the franking account and LIC Gains account which are now both at very low levels and we shall have to wait until the end of the FY 2015 year before we know if there will be any significant increases to those balances.

Capital management

At 31 December 2014 the Company had \$4.6 million (\$5.1 million at 30 June) of undrawn private equity commitments, available for portfolio support and other fund requirements (but not new investments) over the next few years. At period end, debt remained at zero, the same as at 30 June and the term of the current debt facility, with a \$2 million limit, extends to July 2015. The Board has yet to determine whether the Company will have a need for the debt facility beyond the current term. The cash balance at period end was \$4.0 million.

The healthy position of the Company enabled a further return of capital and dividend to be paid and at the Annual General Meeting shareholders approved a resolution that will allow the efficient return of further capital during calendar 2015 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 July 2014 with the aim of providing confirmation, via an ASX release, before shareholders need to complete their tax returns for FY 2015.

Private Equity Portfolio

The Company's private equity fund portfolio consists of 16 funds managed by 11 different private equity groups.

There was a continued healthy level of activity in the portfolio over the six months. In particular, strength in the financial markets provided the confidence needed for further progress with sales activity, operational improvements and debt re-negotiations.

More than \$10 million flowed back to the Company from its investments which only required about \$0.5 million in funding now that the new investment program is complete. The cash returned came from:

- The sale of Endeavour Learning by HPEF II;
- The sale of NZ-based Griffins Foods by Pacific Equity Partners ("PEP") III;
- The sale of Hoyts Group by PEP III and PEP IV just before period end;
- Further sell downs by PEP of the listed stock they hold in Veda Advantage and the Spotless Group; and
- A number of smaller distributions from a few other funds.

With portfolios complete there were no new investments and very limited follow-on activity while some of the exit activity experienced in calendar 2014 should also generate cash in 2015 – a result of sale escrow periods ending for the likes of iSentia (Quadrant 2), Spotless Group (PEP IV) and PAS Group (Propel II). In addition, there are still 50 companies in the underlying private equity funds and many of these funds will also be seeking exits for some of those investments should market conditions permit.

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

Summary of private equity funds

Portfolio holdings at 31 December 2014 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 3	Buyout	397.0	6.6	6.5	0.1	11.6
Archer Capital Fund 4	Buyout	1,312.4	9.7	9.0	0.6	9.4
Catalyst Buyout Fund 1	Buyout	390.0	8.0	8.0	-	5.2
CM Capital Venture Trust 4	Venture Capital	153.5	8.0	7.7	0.3	0.6
Direct Capital Partners III	Expansion/Buyout	57.2	7.0	6.7	0.3	7.1
HPEF II	Expansion/Buyout	180.5	8.0	7.9	0.1	7.0
Ironbridge Capital 2003/4 Fund	Buyout	450.0	5.0	4.8	0.2	3.8
NBC Private Equity Fund II	Expansion/Buyout	98.6	6.0	6.0	-	0.4
NBC Private Equity Fund III	Expansion/Buyout	101.2	10.0	9.9	0.1	3.8
Pacific Equity Partners Fund III	Buyout	1,254.0	7.9	7.5	0.4	9.5
Pacific Equity Partners Fund IV	Buyout	3,261.0	8.0	7.2	0.8	6.6
Propel Private Equity Fund II	Expansion/Buyout	70.8	3.4	3.4	-	5.9
Quadrant Private Equity No. 1	Expansion/Buyout	265.0	8.0	8.0	-	8.4
Quadrant Private Equity No. 2	Expansion/Buyout	480.0	9.6	8.8	0.8	16.0
Wolseley Partners Fund I	Expansion/Buyout	107.4	8.0	8.0	-	2.3
Wolseley Partners Fund II	Expansion/Buyout	235.0	10.0	9.1	0.9	3.3
Totals			123.1	118.5	4.6	100.8

* numbers subject to rounding

Summary of realisations

Fund	Company	Total return as a multiple of cost
CM Capital 4	Ingenero	0.0x
Ironbridge 2003/2004 Fund	Stardex	2.4x
Pacific Equity Partners III	Griffin's Foods	2.2x
Pacific Equity Partners IV	Hoyts Group	2.9x

Summary of 20 largest private equity exposures

(as a percentage of the Company's total assets as at 31 December 2014)

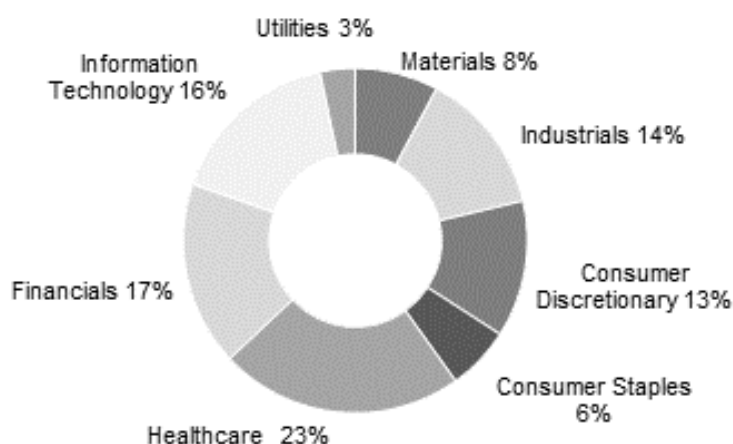
Fund	Date settled	Company	Percentage
Wolseley II	Nov-12	Blue Star	7.21%
Archer 4	Jun-11	Healthe Care Australia	5.18%
CM Capital 4	Feb-08	ThreatMETRIX Inc	5.06%
PEP III	Sep-06	Link Administration Holdings	4.80%
Co-Investment	Jun-07	Vitaco	4.49%
Quadrant 1	Mar-06	Seniors Money International	4.31%
Quadrant 2	Jul-10	iSentia Group (ASX:ISD)	4.27%
Wolseley I & II	Apr-07	Cox Gomyi	4.23%
PEP IV	Jun-08	American Stock Transfer	3.53%
PEP III & IV	Jul-07	Veda Advantage (ASX:VED)	3.32%
DCP III	Nov-05	NZ Pharmaceuticals	3.25%
PEP IV	Jan-10	Energy Developments (ASX:ENE)	3.03%
NBC III	Oct-13	Didasko Learning	2.94%
NBC III	Dec-12	Degani Australia	2.88%
Wolseley II	Jul-10	Abergeldie Group	2.73%
Archer 4	Jun-11	Quick Service Restaurants	2.54%
Archer 4	Jan-09	MYOB	2.31%
PEP IV	Aug-12	Spotless Group (ASX:SPO)	2.25%
DCP III	Aug-08	NZ King Salmon	2.06%
Wolseley II	Sep-13	Nexus Day Hospitals Group	1.93%
		Total (rounded)	72.32%

Summary of vintages (calendar year)

Number of underlying companies that were acquired in a particular year (excluding realisations).

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
2	2	8	10	8	4	4	6	3	3

Industry sector exposure at period end



IPE Limited

ABN 48 107 843 381

**Interim Financial Report
31 December 2014**

Directors' Report

The Directors submit their report for the half-year ended 31 December 2014.

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
Don Stammer	Independent, Non-Executive Director	3 February 2004

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

Following a very active 2014 financial year, portfolio activity in the six months to 31 December was a little more subdued. Nevertheless, exit activity continued with a number of good sales enabling the Company to enhance profits and generate sufficient cash to add to the capital return declared in June with a further return in September and a dividend in December. A total of \$14.3 million was paid to shareholders over the six months.

During the period, the Company made a net profit for the period of \$579,881 after providing for income tax (2013: net profit: \$3,140,489).

Earnings per share for the reporting period based on the weighted average number of ordinary shares	2014	2013
Basic earnings per share (cents per share)	0.42	2.30
Diluted earnings per share (cents per share)	0.42	2.30

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
25 June 2014	Capital Return	4.00	5,463	18 July 2014
15 August 2014	Capital Return	3.50	4,780	16 September 2014
29 October 2014	Dividend	3.00	4,097	4 December 2014

Directors' Report (continued)

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.

Rounding

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) as available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

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

20 February 2015

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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 2014, 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, 20 February 2015

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Statement of Financial Position

As at	31 December 2014 \$'000	30 June 2014 \$'000
Current assets		
Cash and cash equivalents	4,005	10,084
Receivables	270	1,372
Prepayments	38	14
Total current assets	4,313	11,470
Non-current assets		
Unlisted private equity investments	42,803	50,938
Deferred tax assets	3,365	3,184
Total non-current assets	46,168	54,122
Total assets	50,481	65,592
Current liabilities		
Payables and other liabilities	111	188
Provision for capital return	-	5,469
Current tax liabilities	864	2,129
Total current liabilities	975	7,786
Non-current liabilities		
Deferred tax liabilities	3	5
Total non-current liabilities	3	5
Total liabilities	978	7,791
Net assets	49,503	57,801
Equity		
Issued capital	62,762	67,542
Accumulated loss	(13,259)	(9,741)
Total equity	49,503	57,801

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	2014 \$'000	2013 \$'000
Revenue		
Dividend and distribution revenue	5,420	4,768
Net increase in fair value of investments	-	172
Expenses		
Net decrease in fair value of investments	(4,390)	-
Management fees	(225)	(270)
Directors' fees	(48)	(48)
Other expenses	(96)	(154)
Results from operating activities	661	4,468
Finance income	100	41
Finance expenses	(17)	(67)
Net finance expense	83	(26)
Profit before income tax	744	4,442
Income tax expense	(165)	(1,302)
Other comprehensive income for the period	-	-
Total comprehensive income for the period	579	3,140

Earnings per share (EPS)	December 2014	December 2013
EPS based on the weighted average number of ordinary shares (cents per share)		
Basic and diluted earnings per share for the half year	0.42	2.30

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 2014			
	Issued Capital \$'000	Accumulated Losses \$'000	Total \$'000
At 30 June 2014	67,542	(9,741)	57,801
Total comprehensive income for the period			
Profit for the period	-	579	579
Total comprehensive income for the period	-	579	579
Transactions with owners, recorded directly in equity			
Dividends declared and paid	-	(4,097)	(4,097)
Capital returned to shareholders	(4,780)	-	(4,780)
Total transactions with owners	(4,780)	(4,097)	(8,877)
At 31 December 2014	62,762	(13,259)	49,503

For the half-year ended 31 December 2013			
	Issued Capital \$'000	Accumulated Losses \$'000	Total \$'000
At 30 June 2013	73,005	(8,490)	64,515
Total comprehensive income for the period			
Profit for the period	-	3,140	3,140
Total comprehensive income for the period	-	3,140	3,140
Transactions with owners, recorded directly in equity			
Dividends declared and paid	-	(4,097)	(4,097)
Total transactions with owners	-	(4,097)	(4,097)
At 31 December 2013	73,005	(9,447)	63,558

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	2014 \$'000	2013 \$'000
Cash flows from operating activities		
Dividends and distributions received	6,508	4,768
Interest received	113	51
Interest paid	-	(7)
Taxes paid	(1,614)	(1,014)
Payments to suppliers and Directors	(487)	(429)
Net cash flows from operating activities	4,520	3,369
Cash flows from investing activities		
Proceeds from sale of unlisted private equity investments	55	-
Purchases of unlisted private equity investments	(1,663)	(4,471)
Proceeds from capital returned on unlisted private equity investments	5,311	7,838
Loans to shareholders of co-investments	-	(41)
Proceeds of loans to shareholders of co-investments	38	-
Net cash flows from investing activities	3,741	3,326
Cash flows from financing activities		
Proceeds from debt drawdown	-	2,000
Repayment of debt facility	-	(2,000)
Capital returns paid	(10,243)	-
Dividends paid	(4,097)	(8,877)
Net cash flows used in financing activities	(14,340)	(8,877)
Net decrease in cash & cash equivalents held	(6,079)	(2,182)
Add opening cash and cash equivalents brought forward	10,084	5,322
Cash and cash equivalents at end of the period	4,005	3,140

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 2014

1. Corporate Information

The half-year financial report of IPE Limited for the period ended 31 December 2014 was authorised for issue in accordance with a resolution of the Board of Directors on 20 February 2015.

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 2014. 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 2014 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 2014.

(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.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC class order 98/100. The Company is an entity to which the class order applies. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(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 2014.

(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 2014.

Notes to the Financial Statements (continued)

For the half-year ended 31 December 2014

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 \$'000	Payment date
25 June 2014	Capital Return	4.00	5,463	18 July 2014
15 August 2014	Capital Return	3.50	4,780	16 September 2014
29 October 2014	Dividend	3.00	4,097	4 December 2014

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

Declaration date	Payment type	Cents per share	Total amount \$'000	Payment date
19 June 2013	Dividend	3.50	4,787	19 July 2013
31 October 2013	Dividend	3.00	4,097	5 December 2013

The Company's dividend reinvestment plan has been suspended.

No dividends 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 2014	December 2013
	\$'000	\$'000
External revenues	5,420	4,940
Interest expense	-	(8)
Reportable segment profit before income tax	840	4,602
	December 2014	June 2014
	\$'000	\$'000
Reportable segment assets	43,060	50,938
Reportable segment liabilities	-	-

Reconciliation of external revenues	December 2014	December 2013
	\$'000	\$'000
Total revenue for reportable segment	5,420	4,940
Total revenue	5,420	4,940

Notes to the Financial Statements (continued)

For the half-year ended 31 December 2014

Reconciliation of reportable segment profit	December 2014 \$'000	December 2013 \$'000
Total profit before income tax for reportable segment	840	4,602
Unallocated amounts:		
Non segment revenues	100	41
Other corporate expenses	(196)	(201)
Profit before income tax	744	4,442

Reconciliation of reportable segment assets	December 2014 \$'000	June 2014 \$'000
Total assets for reportable segment	43,060	52,283
Other assets	7,421	13,309
Total assets	50,481	65,592

Reconciliation of reportable segment liabilities	December 2014 \$'000	June 2014 \$'000
Total liabilities for reportable segment	-	-
Other liabilities	978	7,791
Total liabilities	978	7,791

Geographical segments

The Company's investments are domiciled in Australia and New Zealand (2013: 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.

Revenues/(expenses)	December 2014 \$'000	December 2013 \$'000
Australia	5,582	4,817
New Zealand	(162)	123
Total revenue	5,420	4,940

Non-current investment assets	December 2014 \$'000	June 2014 \$'000
Australia	40,461	48,340
New Zealand	2,342	2,598
Total non-current investment assets	42,803	50,938

Notes to the Financial Statements (continued)

For the half-year ended 31 December 2014

5. Income tax expense

Reconciliation between tax expense and pre-tax accounting profit	December 2014 \$'000	December 2013 \$'000
Profit for the period	579	3,140
Total income tax expense	165	1,302
Profit excluding income tax	744	4,442
Income tax using the Company's tax rate of 30% (2013: 30%)	223	1,332
Permanent differences in relation to deferred and current income and expenditure*	564	451
Gross up of income due to franking credits received	8	11
Franking credit rebate	(27)	(37)
Net effect on Australian income of foreign income received and foreign taxes paid	-	(12)
Over provision in prior years	(603)	(443)
Income tax expense reported in income statement	165	1,302

6. Commitments

Estimated commitments contracted for, but yet to be called as at 31 December 2014 are \$4.6 million (30 June 2014: \$5.1 million).

These long term commitments reflect the commitment in respect of future investments in current private equity investments held. Due to the inherent nature of private equity investments, the timeframe of these commitments cannot be predicted because capital can be called by investment managers at any time. Although these commitments may be called at any time, the investment funds that the Company has commitments with have all completed their investment portfolios. Thus it is highly likely that future requests for funding will be only for modest amounts and scattered over the next few years.

Generally, drawdowns by a specific fund are substantially made over the 5 year period from first commitment to a fund. Consequently, it has been typical, particularly amongst later stage private equity funds, which form the bulk of the portfolio, for there to be realisations and consequential distributions from underlying funds before all drawdowns by these funds need to be met. This creates significant internal cash generation to meet outstanding commitments. It is also common for a private equity fund to terminate without having drawn down the full commitment, further reducing the actual commitment to be met.

The Directors expect the Company to finance the future drawdown of its outstanding commitments, if required, by one or a combination of the following options:

- Utilising cash on hand;
- Utilising distributions received by the Company as a result of realisations of assets by private equity investments;
- Utilising the current debt finance facility of the Company; and
- Disposing of some private equity commitments;

Notes to the Financial Statements (continued)

For the half-year ended 31 December 2014

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 2014: 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 2014: 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.

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 2014 and 31 December 2013 on a recurring basis are as follows:

31 December 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets designated as fair value through profit or loss	-	-	42,803	42,803
	-	-	42,803	42,803

31 December 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets designated as fair value through profit or loss	-	-	57,718	57,718
	-	-	57,718	57,718

(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.

Notes to the Financial Statements (continued)

For the half-year ended 31 December 2014

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.

(c) Level 3 fair value measurements

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

Reconciliation of Level 3 balances in the fair value hierarchy	2014 \$'000	2013 \$'000
Beginning balance at 30 June	50,938	60,878
Unrealised gains for the period recognised in the profit or loss	(4,401)	461
Purchases and calls paid for unlisted private equity investments	1,663	4,511
Capital returns from unlisted private equity investments	(5,311)	(7,838)
Proceeds from sale of unlisted private equity investments	(55)	-
Proceeds received from repayment of investment loans	(38)	(294)
Foreign exchange loss on settlement of investment loans	7	-
Ending balance at 31 December	42,803	57,718

There have been no transfers between the levels of the fair value hierarchy during the six months to 31 December 2014.

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 2014 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

20 February 2015



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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 2014, 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 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 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 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 Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



G S Layland
Director - Audit & Assurance

Sydney, 20 February 2015