

IMPERIAL PACIFIC LIMITED

ABN 65 000 144 561



17 August 2016

Appendix 4E - Preliminary Final Results for announcement to the market

1. **Period Covered:** [UPDATED] Year ended 30 June 2016

2. Key Information	June 2016	June 2015
	\$000	\$000
Group's Net Worth Gain - before shareholder payout		
- Gains in Investments	865	(106)
- Income Account during year	(168)	(162)
	<u>697</u>	<u>(268)</u>
Change on Net Worth previous year	35%	-11%
Revenue from Ordinary Activities	288	67
<i>Change on previous year</i>	330%	
Profit (Loss) from Ordinary Activities after tax	(168)	(162)
<i>Change on previous year</i>	4%	
Profit (Loss) from all Activities after tax	(168)	(162)
<i>Change on previous year</i>	4%	
Net Tangible Assets	2,518	1,966
Per Share	\$0.87	\$0.68
<i>Change on previous year</i>	28%	
Amount of Dividend Proposed (Cents):	5.00	5.00
Amount of Franking:	100%	100%
Record Date for dividend entitlements	3 Oct 16	1 Oct 15
Payment Date for dividend	13 Oct 16	15 Oct 15
Annual General Meeting Date:	27 Oct 16	22 Oct 15
Brief Explanation and background to the above results:		
<p>1. Imperial Pacific had an excellent year with net worth rising 35% before dividend payout. One investment, a 2% shareholding in funds administration group, MainstreamBPO was sold during the year for a gain of \$306,000.</p>		
<p>2. 30% owned associate, London City Equities Limited, the key client of Imperial Pacific's subsidiary Imperial Pacific Asset Management, recorded an excellent uplift in Shareholder net worth and franking credits assisted especially by its 5.7% shareholding in Fiducian Group Limited. Its modest 2.0% shareholding in Coffey International was sold via a takeover.</p>		
<p>3. A major debt in Penrice Soda of \$5 million was purchased and that company continues to be examined for legal redress.</p>		
<p>4. Preliminary work continues on creating an Activist Investment Fund, but stalled by the lack of attractive candidates. A target list continues to be monitored.</p>		
<p>5. Imperial Pacific's net assets per share climbed 28% to 87 cents, notwithstanding the payment of a 5.0 cent fully franked dividend in October 2015. NTA has risen since year end.</p>		
<p>6. The Board is finalising arrangements for a Share Purchase Plan to be offered to shareholders at 75 cents a share, payable by 30 September. It will not participate in the 2016 final dividend. The Record Date will be 11 August 2016. The purpose is to increase the asset base to reduce the pro rata impact of overheads on earnings and to allow smaller holders to increase their investment.</p>		



3. Consolidated Income Statement
[See Attached Account Summary]

	June 2016	June 2015
	\$000	\$000
Revenues:		
Management Fees Received	58	47
Dividends Received	3	3
Interest Received	13	17
Sales - Trading Investments	213	-
Other	1	-
	288	67
Less Costs:		
Cost of Trading Investments Sold	(205)	-
Various Expenses:	(263)	(247)
	(180)	(180)
Plus: Equity Share of Associated Company:	12	18
Profit (Loss) Before Tax:	(168)	(162)
Plus / Less Income Tax Gain (Expense)	-	-
Net Profit (Loss) after Tax attributable to Members	(168)	(162)

4. Balance Sheet
[See Attached Account Summary]

Shareholders Equity	2,518	1,966
Per Ordinary Share	\$ 0.87	\$ 0.68

5. Cash Flow Statement
[See Attached Account Summary]

6. Dividends Paid

Amount paid during year (\$000)	\$ 145	\$ 145
Date Paid	15 Oct 2015	9 Oct 2014
Per Share	5.0 cents	5.0 cents
Amount of Franking:	100%	100%

7. Dividend Reinvestment Plan

The company has no Dividend Reinvestment Plan in place.

8. Net Asset Backing Per Share:

As at 30 June:	\$ 0.87	\$ 0.68
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9. Details of entities over which control has been gained or lost during period.

There were no such entities.

10. Details of Associates

Name of Associate:	London City Equities Limited	
Percentage of ownership held:	30.1%	30.1%
Share of Profit (Loss) for period (\$000)	13	18

11. Other Information:

Issued Capital - shares on Issue:

Ordinary Shares	2,906,504	2,906,504
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12. Commentary on Results

(a) General

1. The combined Asset / Income situation was enhanced during the year, but low management fees from client London City Equities continue to impact. Penrice attracted more attention as the Imperial Pacific group acquired a \$5 million debt in that company and will pursue redress.
2. Imperial Pacific had approx \$0.7 million in cash on hand at year end.

(b) Earnings Per Share:

	June 2016	June 2015
Cents Per Share	(5.8)	(5.6)

Note: Nil dilution during year - no options on issue.

(c) Return to Shareholders

Profit (- Loss) after tax to Shareholders Equity at year end	-6.7%	-8.2%
Profit (- Loss) after tax to Shareholders Equity prior year.	-8.5%	-6.8%

(d) Segmental Disclosure:

	Investment	Financial Services	Consol.
2016			
Revenue	\$000	\$000	\$000
Investment /other revenue	229	59	288
Segment Result			
Profit (Loss) after Tax	(42)	(126)	(168)
Segment Assets	2,499	136	2,635
Segment Liabilities	(35)	(83)	(118)
Net cash inflow from operating activities	16	(138)	(122)
2015			
Revenue	\$000	\$000	\$000
Investment /other revenue	21	47	68
Segment Result			
Profit (Loss) after Tax	(36)	(126)	(162)
Segment Assets	1,981	66	2,047
Segment Liabilities	(25)	(57)	(82)
Net cash inflow from operating activities	(22)	(91)	(113)

13. Status - Audit:

1. The above Preliminary Final Report has been based on accounts which are in the process of being audited.
2. There are no items in dispute in relation to the accounts of the company.

Signed for and on behalf of the Board

Peter EJ Murray - Director and Chief Operating Officer

17 August 2016

IMPERIAL PACIFIC LIMITED

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Attachment

Notes Relating to Appendix 4E

(Preliminary Final Results for announcement to the market.)

IMPERIAL PACIFIC LIMITED

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Consolidated Income Statement for the year ended 30 June 2016

	<i>Notes</i>	2016 \$	2015 \$
Revenue from ordinary activities	3	287,763	67,298
Less:			
Expenses from ordinary activities	4	(467,985)	(246,978)
Share of net profit of associate accounted for by using the equity accounting method	3	12,541	17,728
Profit from ordinary activities before income tax		(167,681)	(161,952)
Income tax credit (expense)	5	-	-
Net Profit (Loss) attributable to members of Imperial Pacific Limited		(167,681)	(161,952)

Earnings per share:

Earnings per share from profit from continuing operations attributable to the ordinary equity holders of the company.			
Basic and diluted earnings per share (Cents)	30	(5.77)	(5.57)

The accompanying notes form part of these financial statements.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	<i>Notes</i>	2016 \$	2015 \$
Profit (Loss) for Year		(167,681)	(161,952)
Other Comprehensive Income (Expense)			
Items that will not be recycled through the Income Statement:			
Net Realised and Unrealised Gain (Loss) for the period on securities in the Investment Portfolio:	14	865,080	(106,337)
Total Other Comprehensive Income (Expense)		865,080	(106,337)
Total Comprehensive Income (Expense) for the year for equity holders		697,399	(268,289)

The accompanying notes form part of these financial statements.

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Consolidated Balance Sheet as at 30 June 2016

	<i>Notes</i>	2016 \$	2015 \$
Current assets			
Cash and cash equivalents	6	597,956	415,917
Receivables	7	76,099	24,784
Total current assets		674,055	440,701
Non-current assets			
Investment Portfolio	9	1,892,370	1,545,734
Tax Asset	8	69,100	61,404
Total non-current assets		1,961,470	1,607,138
Total assets		2,635,525	2,047,839
Current liabilities			
Trade and other payables	10	117,594	81,983
Tax liabilities	11	-	-
Total current liabilities		117,594	81,983
Total liabilities		117,594	81,983
Net assets		2,517,931	1,965,856
Equity			
Share Capital	12	1,560,970	1,560,970
Reserves	14	3,233,500	2,368,420
Retained Profits (Accumulated losses)	14	(2,276,539)	(1,963,534)
Total equity		2,517,931	1,965,856

The accompanying notes form part of these financial statements.

IMPERIAL PACIFIC LIMITED

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Consolidated Statement of Changes in Equity for the Year Ended 30 June 2016

	<i>Notes</i>	2016 \$	2015 \$
Total Equity at the beginning of the year		1,965,856	2,379,469
Transactions with Equity holders in their capacity as equity holders:			
Dividends provided or paid		(145,324)	(145,324)
Total transactions with Equity holders in their capacity as equity holders:		(145,324)	(145,324)
Income and Expense for Year:			
Profit (Loss) for Year		(167,681)	(161,952)
Other Comprehensive Income for the year:			
Realised Capital Gain (Loss) for year	14	440,529	(10,489)
Revaluation of Investment Portfolio	14	513,194	75,293
Provision for Tax on unrealised gains	14	(153,853)	(22,648)
Less:			
- Reversal of Revaluation Last Year	14	(75,293)	(212,145)
- Reversal of Tax Provision Last Year	14	22,648	63,652
		747,225	(106,337)
Total recognised income (including unrealised gains) and expenses for the Year		434,220	(413,613)
Total Equity at the end of the year		2,400,076	1,965,856

The accompanying notes form part of these financial statements.

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Consolidated Cash Flow Statement for the year ended 30 June 2016

	<i>Notes</i>	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from Customers (inclusive of goods and services tax)		47,254	59,148
Cash paid to suppliers and management (inclusive of goods and services tax)		(259,293)	(257,007)
Interest Received		14,846	67,612
Dividends Received		68,147	16,893
Trading Investments - Purchased		(205,248)	
Trading Investments - Sold		212,500	
Income Tax Refunded (Paid)		-	-
Net Cash provided by (used in) operating activities	29	(121,794)	(113,354)
Cash flows from investing activities			
Purchase of investments		(37,242)	(130,837)
Proceeds from sale of investments		486,400	-
Net Cash provided by (used in) investing activities		449,158	(130,837)
Cash flows from financing activities			
Receipts (Payments) - related companies		-	16,765
Dividends Paid		(145,325)	(145,325)
Net Cash used in financing activities		(145,325)	(128,560)
Net increase (decrease) in cash held		182,039	(372,751)
Cash at beginning of the financial year		415,917	788,668
Cash at end of the financial year	6	597,956	415,917

The accompanying notes form part of these financial statements.

IMPERIAL PACIFIC LIMITED

Notes to the financial statements - 30 June 2016



Note 1: Summary of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards ("AASBs") adopted by the AASB. The financial report has been prepared in accordance with AIFRS (Australian Equivalents to International Financial Reporting Standards).

In this report "Group" refers to the consolidated entity and "Company" refers to the parent entity, Imperial Pacific Limited. This financial report consists of financial statements for the consolidated entity which consists of Imperial Pacific Limited and its respective subsidiaries and its equity accounted associate London City Equities Limited.

The Group has early adopted AASB 9 - Financial Instruments. The Company has voluntarily adopted this standard as it is considered to result in a presentation that better reflects the performance and operations of the Company. A feature of AASB 9 is that unrealised gains or losses to fair value of the Investment Portfolio are not treated as "impairment" charges in the Income Statement but are reflected in the unrealised reserve account.

The Group has tried to adopt "plain English" where possible to assist in information transparency.

The following is a summary of the significant accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless stated otherwise.

(a) Basis of Accounting

Imperial Pacific Limited is a listed public company incorporated and domiciled in Australia. It has subsidiary companies also incorporated and domiciled in Australia. The financial statements are prepared using the valuation methods described below for holdings of securities. All other items have been treated in accordance with historical cost convention.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting policies are recognised in the period in which the estimate is revised.

(b) Principles of Consolidation

A controlled entity is any entity controlled by Imperial Pacific Limited. Control exists where Imperial Pacific Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Imperial Pacific Limited to achieve the objectives of Imperial Pacific Limited. A list of controlled entities is contained in Note 26 to the financial statements. All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

The accounts of 30.1% owned London City Equities Limited are included by adopting the equity method of accounting (equity accounted as a 30.1% owned entity in 2015).

(c) Investments: Controlled Entities & Associates

The investments in subsidiary companies are carried at their cost of acquisition less any provision for impairment. Dividends are brought to account in the profit and loss account when they are credited or paid by the controlled entity.

London City Equities Limited is not recognised as a controlled entity because it is a company over which the group is not able to exercise control despite its 30.1% equity ownership, as one other shareholder controls over 48.0%. It is an associated company.

Investments in associated companies are recognised in the financial statements by applying the equity method of accounting.

IMPERIAL PACIFIC LIMITED

Notes to the financial statements - 30 June 2016



(d) Income Tax Expense

The income tax expense or credit for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the asset bases of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses. Deferred tax assets and liabilities are offset as all current and deferred taxes relate to the Australian Taxation Office and can legally be settled on a net basis.

A tax provision is made for the unrealised gain or loss on Trading Portfolio securities valued at market value through the Income Statement.

Where non-current Investment Portfolio securities are adjusted for unrealised gains or losses at balance date in the Unrealised Revaluation Reserve an assessed deferred tax liability or asset is created to reflect the applicable tax, even though there may be no intention to dispose of those holdings. The tax sum is applied to the Unrealised Revaluation Reserve on one hand and the deferred tax liability or asset on the other.

Where the company might dispose of such securities, tax is calculated on gains made according to the particular parcels allocated to the sale for tax purposes offset against any capital losses carried forward.

Imperial Pacific Limited and its wholly-owned subsidiaries have formed an income tax consolidation group under the Tax Consolidation Regime. Imperial Pacific Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the consolidated group.

(e) Investments

The Company has two discrete types of investments. They are Trading Portfolio Financial Assets (Current Assets) and Investment Portfolio Financial Assets (Non-Current Assets).

All investments are initially recognised at the fair value of the consideration paid. After initial recognition, investments (classified as either Trading or Investment Portfolio) are measured at their fair value. Fair value of listed securities is determined by reference to the last sale price at the close of business at balance date. Gains on Trading Portfolio investments are recognised in the Income Statement.

Gains on Investment Portfolio securities are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of.

Dividend income is only taken to account when the right to receive a dividend is established, interest revenue being recognised on a proportional basis taking into account interest rates applicable to the financial assets.

(f) Non-Current Assets

The carrying amounts of all non-current assets other than investments are reviewed at least annually to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts, the relevant cash flows have been discounted to their present value.

(g) Derivatives

The economic entity is from time to time exposed to fluctuations in interest rates from its activities. It is not the policy of the economic entity to use derivative financial instruments. The economic entity does not hedge its exposure to interest rate fluctuations. It has no foreign exchange exposure.

(h) Employee Entitlements

The company has no employees.

(i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Financial Risk issues

The economic entity has in place risk management controls supervised by the Board and the Audit, Compliance and Risk Management Committee. Risk issues are explained further in Note 16 of the financial statements. B516

IMPERIAL PACIFIC LIMITED

Notes to the financial statements - 30 June 2016



(k) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable where invoiced. The net amount of GST recoverable from, or payable to the ATO is included with other payables in the balance sheet. Cash Flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO, are reported as operating cash flow.

(l) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Revenues from the rendering of a service is recognised upon delivery of the service.

Management revenue is recognised on an accruals basis.

(m) New Standards and interpretations not yet adopted.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016, and, except for ASSB 9 which has been early adopted, have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

Accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed below:

- AASB 15: Revenue from Contracts with Customers (applicable to periods beginning on or after 1 Jan 2017

The standard contains new requirements for the recognition of revenue and additional disclosures. On 30 July 2015, the IASB issued its package of proposed amendments to the new revenue standard in response to implementation issues raised by stakeholders and discussed by the Transition Resource Group.

The IASB also voted on 22 July 2015 to finalise the one-year deferral of the revenue standard until years beginning on or after 1 January 2018. The AASB is also expected to make a similar amendment. While the entity does not expect the new standard to have an impact on how revenue is recognised, it is yet to perform a detailed assessment.

Note 2. Segmental information

During 2015/15 the economic entity acted mainly in the investment and financial services sectors in Australia.

	Investment	Financial Services	Consolidated
2016			
Revenue	\$	\$	\$
Investment /other revenue	228,861	58,902	287,763
Segment Result			
Profit (Loss) after Tax	(42,666)	(125,015)	(167,681)
Segment Assets	2,499,630	135,895	2,635,525
Segment Liabilities	(35,277)	(82,317)	(117,594)
Net cash inflow from operating activities	16,626	(138,630)	(122,004)
Share of net profits (losses) of equity accounted associates	12,541	-	12,541
Carrying amount of investment in Associates accounting for using the equity accounting method	1,762,112	-	1,762,112
2015			
Revenue	\$	\$	\$
Investment /other revenue	20,602	46,696	67,298
Segment Result			
Profit (Loss) after Tax	(35,763)	(126,189)	(161,952)
Segment Assets	1,981,463	66,376	2,047,839
Segment Liabilities	(24,594)	(57,387)	(81,981)
Net cash inflow from operating activities	(22,526)	(90,828)	(113,354)
Share of net profits (losses) of equity accounted associates	17,728	-	17,728
Carrying amount of investment in Associates accounting for using the equity accounting method	1,234,825	-	1,234,825

IMPERIAL PACIFIC LIMITED

Notes to the financial statements - 30 June 2016



Note 3. Revenue

	2016	2015
From continuing operations	\$	\$
Dividends Received	3,233	2,699
Interest Received	13,128	17,903
Management Fees Received:		
- Base Management Fee	58,902	46,696
- Performance Fee	-	-
Sales - Trading Investments	212,500	-
Other	-	-
Total Revenue	<u>287,763</u>	<u>67,298</u>
Share of net profit (loss) of associate accounted	<u>12,541</u>	<u>17,728</u>

Note 4. Profit from ordinary activities

Net gains and expenses

Profit from ordinary activities before income tax has been determined after:

(a) Expenses

Auditors Fees (Note 18)	(27,500)	(24,000)
Directors fees (Note 17)	(51,467)	(50,000)
Directors superannuation (Note 17)	(2,374)	(2,457)
Professional fees - director related	(123,200)	(121,200)
Rental expense on operating leases	(18,325)	(18,374)
Other Expenses	(39,873)	(30,947)
Total Operating Expenses	<u>(262,739)</u>	<u>(246,978)</u>
Cost of Trading Investments Sold	(205,246)	-
Net Operating Profit (Loss) before Tax	<u>(167,681)</u>	<u>(161,952)</u>

(b) Revenue and net gains

Management fee - associated company - Base fee	58,902	46,696
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Note 5. Income Tax Expense

(a) The components of income tax expense comprise:

Current Tax

-	-
-	-

(b) The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:

Profit (Loss) from ordinary activities before income tax	(161,952)	(161,952)
Income tax credit calculated at 30%	48,586	48,586
Plus (Less): Tax Effect of :		
- Rebatable fully franked dividends	(48,586)	(48,586)
Income tax benefit (expense)	<u>-</u>	<u>-</u>

(c) Amounts recognised directly in equity:

Decrease (Increase) in deferred tax liabilities relating to capital gains tax on the increase in unrealised changes in values of the investment portfolio

(131,205)	148,493
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(d) Deferred tax assets not recognised

No future income tax benefit has been brought to account in the accounts in respect of estimated tax losses of :

Revenue Losses	600,000	740,000
Capital Losses	-	-

These losses have not been confirmed by the tax authorities. The taxation benefits will only be obtained if:

- Assessable income is derived of a nature and of amount sufficient to enable the benefit of the deductions to be realised;
- Conditions for deductibility imposed by the law complied with; and
- No changes in tax legislation adversely affect the realisation of the benefit and of the deductions.

IMPERIAL PACIFIC LIMITED

Notes to the financial statements - 30 June 2016



	2016	2015
Note 6. Cash and Cash Equivalents	\$	\$
Cash at Bank and on Hand	597,956	415,917
	<u>597,956</u>	<u>415,917</u>

Note 7. Current assets - Receivables

Other Debtors	42,656	21,123
Amounts receivable from:		
Associated Company	33,443	3,661
	<u>76,099</u>	<u>24,784</u>

Note 8. Non current assets - Tax

Current Tax Asset	69,100	61,404
	<u>69,100</u>	<u>61,404</u>

Note 9. Non current assets - Investment Portfolio

Listed investments

Shares in other corporations - at Market Value	132,664	130,008
Shares in associated corporations - at fair value	1,759,706	1,234,825
	<u>1,892,370</u>	<u>1,364,833</u>

Unlisted investments

Shares in other corporations - at fair value	-	180,901
	<u>1,892,370</u>	<u>1,545,734</u>

Note: Non-traded unlisted investments in 2015 relate to MainstreamBPO Pty Limited, since sold for a gain of \$305,000.

Note 10. Current Liabilities - Payables

Directors or their Director Related Entities	26,247	22,329
Other Creditors	91,347	59,654
	<u>117,594</u>	<u>81,983</u>

Note 11. Current Liabilities - Tax Liabilities

Income Tax	-	-
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Note 12. Share Capital

	2016	2015
(a) Share capital	\$	\$
2,906,504 (2015: 2,906,504) fully paid ordinary shares	1,560,970	1,560,970
(b) Movement in ordinary share capital:		
Balance at beginning of accounting period	1,560,970	1,560,970
Movements during the year	-	-
Balance at reporting date	<u>1,560,970</u>	<u>1,560,970</u>
(c) Movement in ordinary share numbers:		
Balance at beginning of accounting period	2,906,504	2,906,504
Movements during the year	-	-
Balance at reporting date	<u>2,906,504</u>	<u>2,906,504</u>

(d) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number and amounts paid on the shares. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll is entitled to one vote.

IMPERIAL PACIFIC LIMITED

Notes to the financial statements - 30 June 2016



Note 13. Capital Management

The Company's objective in managing capital is to continue to provide shareholders with attractive investment returns over the medium to longer term through access to investment management fee income, a steady stream of fully-franked dividends, minimum gearing and enhancement of capital invested. These goals include paying dividends that will, over time, grow faster than the rate of inflation.

The company recognises that its capital will fluctuate in accordance with market conditions and the performance of its underlying investments. It may adjust the dividends paid, issue new shares from time to time or buy-back its shares or sell assets to minimise debt.

Note 14. Reserves and retained profits

(a) Reserves - as per below

Realised Capital Gains Reserve	2,756,304	2,315,775
Unrealised Revaluation Reserve	477,196	52,645
	<u>3,233,500</u>	<u>2,368,420</u>

Realised Capital Gains Reserve

Balance at 1 July 2015	2,315,775	2,326,264
Realisation Gain (Loss) - Investment Portfolio	440,529	(10,489)
Less Provision for Tax on Realised Losses	-	-
Balance at 30 June 2016	<u>2,756,304</u>	<u>2,315,775</u>

Unrealised Revaluation Reserve

Balance at 1 July 2015	52,645	148,493
Add Back Previous Revaluation of Portfolio	(75,293)	(212,145)
Add Back previous Provision for Tax	22,648	63,652
Revaluation of Investment Portfolio	513,194	75,293
Less Provision for Tax on Unrealised Gains	(153,853)	(22,648)
Add Back provision not necessary re FITB	117,855	
Balance at 30 June 2016	<u>477,196</u>	<u>52,645</u>

(b) Retained Profits / (Accumulated losses)

Retained Earnings (Accumulated losses)		
- beginning of the financial year	(1,963,534)	(1,656,258)
Net gain (loss) attributable to members of Imperial Pacific Limited	(167,681)	(161,952)
Dividends paid	(145,324)	(145,324)
Balance at 30 June 2016	<u>(2,276,539)</u>	<u>(1,963,534)</u>

(c) Net Realised and Unrealised Gains in the Period

Realised Gain (Loss)	440,529	(10,489)
Unrealised Gain (Loss)	424,551	(95,848)
	<u>865,080</u>	<u>(106,337)</u>

(d) Nature and purpose of reserves

Realised Capital Gains Reserve

The Realised Capital Gains Reserve records gains from the sale of non-current assets. The reserve may be used for the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

Unrealised Revaluation Reserve

The Unrealised Revaluation Reserve is used to record increments and decrements on the revaluation of non-current Investment Portfolio assets, as described in the accounting policies, adjusted to reflect the applicable deferred tax liability or asset.

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2016 2015
\$ \$

Note 15. Dividends

(a) Dividends Payable

Dividend paid - Fully Franked	15 Oct 2015	(145,325)	(145,325)
Dividend proposed - Fully Franked	13 Oct 2016	(145,325)	(145,325)

(b) Franking credits

Franking credit tax component available for dividends in future years	530,000	525,585
Fully franked dividends possible at tax rate of 30%	1,236,667	1,226,365

Note: The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits and debits arising from payment of tax liabilities and receipt of franked dividends.

Note 16. Financial instruments and risk

A. Financial instruments - fair value of financial assets and liabilities

Accounting Standards require the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

2016 Allocation	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Cash & cash equivalents	597,956			597,956
Receivables		76,099		76,099
Portfolio Investments	132,664	1,759,706		1,892,370
Financial liabilities				
Other creditors	(117,594)			(117,594)
2015 Allocation	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Cash & cash equivalents	415,917			415,917
Receivables		24,784		24,784
Portfolio Investments	130,008	1,234,825		1,364,833
Other Investments			180,901	180,901
Financial liabilities				
Other creditors	(81,983)			(81,983)

B. Risk Considerations - Main factors

The Group's activities expose it to various financial risks, mainly market risk, credit risk and liquidity risk. Risk management is carried out by senior management under policies and strategies approved by the Board and the Audit, Compliance and Risk Management Committee. The Group is not directly exposed to currency risk.

(a) Market Risk

This is the risk that the fair value of future cash flows of financial instruments may fluctuate because of changes in market prices that depend on many factors, including economic conditions, corporate profitability and management competence. The group seeks to reduce market risk by adhering to the prudent investment guidelines of its board, including guidelines in respect of industry status, investee position in the industry, performance outlook, management skills and level of strategic shareholding acquired. Price and Interest Rate risk issues are shown below.

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Note 16. Financial instruments and risk (Cont'd)

(a) (i) Price Risk

The Group is exposed to price risk in relation to equities securities and convertible loan notes. These arise from:

- Investments held by the Group and classified on the balance sheet as either Trading or Portfolio; and
- Exposure to adverse movements in equity prices which may have negative flow-on effects to the revenue derived from the management of clients' investment portfolios.

The Group is not directly exposed to commodity price risk or derivative securities risk.

Price Risk Sensitivity Analysis:

The table below summarises the pre-tax impact of both a general fall and general increase in stock-market prices on listed equity securities by 10%. The analysis is based on the assumption that the movements are spread equally over all assets in the investment and trading portfolios. It assumes no performance fees payable from managed funds.

	----- 2016 -----		----- 2015 -----	
	10.0% increase in market prices	10.0% decrease in market prices	10.0% increase in market prices	10.0% decrease in market prices
Impact on Profit (Pre tax)	\$ 4,269	\$ (4,269)	\$ 4,882	\$ (4,882)
Impact on Equity (Pre tax)	189,477	(189,477)	154,573	(154,573)

(a) (ii) Interest Rate Risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At balance date the Group had money on deposit with its bankers. As such, the Group's revenues and assets are subject to interest rate risk to the extent that the cash rate might fall over any given period. Given that the Group does not have any interest bearing liabilities at balance date, however, the Board and management do not consider it necessary to hedge the group's exposure to interest rate risk.

Interest Rate Risk Sensitivity Analysis:

The table below summarises the pre-tax impact of both a decrease and an increase in interest rates by 100 basis points (1.00%). The analysis is based on the assumption that the change is based on the amounts of cash at bank and cash at year end.

	----- 2016 -----		----- 2015 -----	
	100 bps increase in Interest Rate	100 bps decrease in Interest Rate	100 bps increase in Interest Rate	100 bps decrease in Interest Rate
Impact on profit (pre-tax)	\$ 5,980	\$ (5,980)	\$ 4,159	\$ (4,159)

(b) Credit Risk

The credit risk on the financial assets of the entity is the risk that one party to a financial instrument may cause a financial loss for the other party by failing to discharge an obligation. This credit risk for Imperial Pacific is minimised by its policy of placing surplus funds with the company's bankers.

(b) (i) Cash and Cash Equivalents

The credit risk of the Group in relation to cash and cash equivalents is the carrying amount and any accrued unpaid interest. The average weighted maturity of the cash portfolio at any time is no greater than 90 days. The credit quality of cash deposits and equivalents can be assessed by reference to external credit ratings.

		2016	2015
Cash at bank and short-term bank deposits		\$	\$
- Credit Rating (Short)	A-1+	597,956	415,917

(b) (ii) Trade and sundry receivables

The credit risk of the Group in relation to trade and sundry receivables is their carrying amounts. The sums are minor and relate mainly to accrued unpaid interest and prepayments. The risk is mitigated by internal monitoring.

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Note 16. Financial instruments and risk (Cont'd)

(c) Liquidity Risk

This risk is that experienced by an entity when it has difficulties meeting its financial obligations. The Imperia Pacific consolidated entity has no external borrowings. It manages liquidity carefully, maintaining appropriate maturity balances of short term deposits and marketable securities. The Group's management and its Board actively review the liquidity position on a regular basis to ensure that the Group can always meet its commitments, including investment programmes.

(c) (i) Maturities of financial assets

The following table details the Group's maturity periods of its financial assets. This table has been prepared based on the fair values of financial assets as at 30 June and according to the committed deposit maturing dates. Estimates are continually evaluated and are based on historical experience and expectations which are considered reasonable.

		2016	2015
Immediate	\$	72,045	\$ 15,917
To 30 days	\$	76,099	\$ 424,784
30 to 60 days	\$	525,911	-
Long Term	\$	1,892,370	\$ 1,545,734

(c) (ii) Maturities of financial liabilities

The following table details the Group's maturity periods of its financial liabilities. This table has been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is liable to meet its obligations. The table includes both interest (where applicable) and principal cash flows.

		2016	2015
Within 90 days	\$	117,594	\$ 81,983

Note 17. Directors and Executives' Remuneration

(a) Names and positions held of parent entity directors and specified executives in office at any time during the financial year are:

Parent Entity Directors:

Mr P E J Murray	- Chairman
Mr R Chenery	- Director - Non-Executive - retired 9 February 2016
Mr DA Sutherland	- Director - Non-Executive
Mr DG Butel	- Director - Non-Executive - appointed 9 February 2016

(b) Parent Entity Directors' Remuneration

		Primary	Post	Other	Total
2016	Salary, Fees & Commissions	Superannuation Contributions	Employment		
Mr P E J Murray	123,200	-	-	-	123,200
Mr D A Sutherland	25,000	2,374	-	-	27,374
Mr D G Butel	9,800	-	-	-	9,800
Mr R Chenery	16,667	-	-	-	16,667
	174,667	2,374	-	-	177,041
2015					
Mr P E J Murray	121,200	-	-	-	121,200
Mr R Chenery	25,000	-	-	-	25,000
Mr D A Sutherland	25,000	2,375	-	-	27,375
	171,200	2,375	-	-	173,575

(c) Shareholdings

Number of Shares held by Parent Entity Directors / Specified Executives					
	Balance	Received as	Options		Balance
	1.07.15	Remuneration	Exercised	Net change *	30.06.15
Mr P E J Murray	1,161,893	-	-	-	1,161,893
Mr D G Butel	1,000	-	-	-	1,000
Mr D A Sutherland	1,000	-	-	-	1,000
	1,162,893	-	-	-	1,162,893

* Net change refers to shares purchased or sold during the financial year.

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Note 17. Directors and Executives' Remuneration (Cont'd)

(d) Remuneration Practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

1. The remuneration arrangements for directors are determined by the shareholders in general meeting. From time to time the Board may submit proposals to increase the fees, which are presently have a maximum of \$125,000. The company has scope to remunerate Directors for special duties that may be requested on occasion. Mr Murray does not receive Directors Fees from the Company.
2. The company has no formal executives. In the case of Mr Murray his remuneration is based on an assessment of his experience, performance and tasks undertaken through the year where, in the main, an hourly fee of \$80 is payable, plus a share of corporate advisory fee income.
3. The company has a Remuneration Committee in operation.

Note 18. Auditor's Remuneration

	2016	2015
	\$	\$
Remuneration for audit or review of the financial reports of the parent or any entity in the economic entity		
Cutcher & Neale - Assurance services	22,600	18,700
Remuneration for other services:		
Cutcher & Neale - Other compliance services	4,900	5,300
Total	27,500	24,000

Note: Imperial Pacific Limited's Audit, Compliance and Risk Management Committee oversees the audit relationship, including reviewing with the Board the scope of the audit and the proposed fee.

Note 19. Contingent Liabilities

There are no known contingent liabilities. No group member has any bank facilities or arrangements.

Note 20. Contingent Assets

On 17 June and on 25 July 2011 associated company London City Equities Limited was granted judgment in its favour by the Federal Court of Australia to access certain records and documents of Penrice Soda Holdings Limited ("Penrice"). This followed legal action by London City to assess the conduct of the directors of Penrice and the provision of information in 2008 and 2009 when London City made investments in Penrice. Penrice was placed into liquidation on 31 July 2014. The investigatory process may ultimately lead to legal action being taken against the Directors of Penrice or parties associated that company for the recovery of substantial investment losses. During the year Imperial Pacific group purchased a \$5 million debt owing by Penrice Soda and redress is being sought. There is insufficient information at the date of this report to estimate any future benefit that may arise.

Note 21. Capital and Leasing commitments

(a) Capital Expenditure Commitments

There are no material capital commitments outstanding at year end.

(b) Operating Lease Commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable

Not later than one year	1,527	1,527
Between One and Two Years	-	-
	1,527	1,527

These commitments represent non-cancellable operating leases relating to office premises.



Note 22. Employee entitlements

There is no pension scheme within the immediate group entities as at 30 June 2016. The company has no formal employees.

Note 23. Related Party transactions

Directors

The names of persons who were Directors of Imperial Pacific Limited at any time during the financial year were Mr P.E.J.Murray, Mr R.Chenery, Mr DA Sutherland and Mr DG Butel.

Each Director was also a Director of associated company London City Equities Ltd during the same periods.

Remuneration

Information on remuneration of directors is disclosed in Note 17.

Other related parties

Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with each class of other related parties:

	2016	2015
	\$	\$
Management fee revenue		
Associated corporation - London City Equities Limited	58,902	46,696

Aggregate amounts receivable from, and (payable to), each class of other related parties at balance date:

Current payables		
Director related	(26,248)	(22,329)
Current receivables		
Associated entity (intercompany balance)	33,443	3,661

Messrs R. Chenery and D Sutherland also received director fee remuneration from the associated corporation London City Equities Limited, of \$25,000 each.

Note 24. Group Parent Entity - Imperial Pacific Limited

The ultimate parent company is Imperial Pacific Limited (ABN 65 000 144 561) which was incorporated on 13 December 1954. Its investments in subsidiary entities are shown in the following note. The parent entity's financial statements show the following summarised amounts:

	----- Parent Entity -----	
<i>(a) Balance Sheet</i>		
Current Assets	507,668	425,577
Non current Assets	8,554,091	8,285,048
Total Assets	<u>9,061,759</u>	<u>8,710,625</u>
Current Liabilities	(6,213,029)	(6,264,566)
Total Liabilities	<u>(6,213,029)</u>	<u>(6,264,566)</u>
Net Assets	<u>2,848,730</u>	<u>2,446,059</u>
<i>(b) Shareholders Equity</i>		
Issued Capital	1,560,970	1,560,970
Capital Profits Reserve	2,647,974	2,342,275
Unrealised Revaluation Reserve	241,990	(121,000)
Retained Profits (Accumulated Losses)	<u>(1,602,204)</u>	<u>(1,336,186)</u>
	<u>2,848,730</u>	<u>2,446,059</u>
<i>(c) Profit and Loss Account</i>		
Total Income	338,901	132,815
Total Expenses	(459,593)	(244,302)
Net Profit (Loss) Before Tax	<u>(120,692)</u>	<u>(111,487)</u>
Tax Credit (Expense)	-	-
Net Profit (Loss) after Tax	<u>(120,692)</u>	<u>(111,487)</u>

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Note 24. Group Parent Entity - Imperial Pacific Limited (Cont'd)

(d) *Guarantees re debts of subsidiaries*

As stated in Note 19 the parent company has in place a guarantee to a bank in respect of possible facilities of Imperial Pacific Asset Management Pty Limited. No such facilities exist.

(e) *Contingent Liabilities*

The parent company has no known contingent liabilities.

(f) *Contractual Commitments*

As stated in Note 21 the parent company has office leasing commitments of \$1,527 at 2016, \$1,527 in 2015. There are no capital purchase commitments.

Note 25. Investment in controlled entities

The ultimate parent company Imperial Pacific Limited has the following direct and indirect investments in subsidiary companies:

Name of Entity	Country of Incorporation	Class of shares	Equity holding		Cost of parent entity's investment	
			2016	2015	2016	2015
Imperial Pacific Asset Management Pty Limited	Australia	Ordinary Shares	100	100	1,000,000	1,000,000
Imperial Pacific Fund Managers Pty Limited	Australia	Ordinary Shares	100	100	1,700,000	1,700,000
Imperial Pacific Resources Pty Limited	Australia	Ordinary Shares	100	100	*	*

Note: Imperial Pacific Asset Management Pty Ltd and Imperial Pacific Fund Managers Pty Ltd are 100% directly controlled by Imperial Pacific Limited. Imperial Pacific Resources Pty Limited is wholly owned by Imperial Pacific Fund Managers Pty Limited.

Note 26. Investment in associate

Name of company	Ownership Interest		Consolidated carrying amount		Parent Entity carrying amount	
	2016	2015	2016	2015	2016	2015
Traded on organised markets:						
London City Equities Limited			\$	\$	\$	\$
Limited	30.1%	30.1%	1,759,706	1,234,825	1,565,723	1,565,723
(Incorporated in Australia)						
Strategic holding company investing in shares and deposits.						
			1,759,706	1,234,825	1,565,723	1,565,723

	Consolidated carrying amount	
	2016	2015
Movements in carrying amounts of investments in associate	\$	\$
Carrying amount at the beginning of the financial year	1,234,825	1,383,872
Additional Equity Purchased	-	-
Net Increase (Reduction) in Reserves	577,254	(101,861)
Share of operating profit (loss) after income tax	12,541	17,728
Less dividends received from associates	(64,914)	(64,914)
Carrying amount at the end of the financial year	1,759,706	1,234,825
Results attributable to associate	\$	\$
Operating profits (loss) after income tax	12,541	17,728
Less dividends received	(64,914)	(64,914)
	(52,373)	(47,186)
Retained profits attributable at beginning of the financial year	2,054,974	2,102,160
Retained profits attributable at the end of the financial year	2,002,601	2,054,974

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Note 26. Investment in associate (Cont'd)

	2016	2015
Reserves attributable to associate	\$	\$
Capital Reserves	(1,808,617)	(2,385,872)
Share of associate's contingent liabilities	Nil	Nil
Share of associate's expenditure commitments	Nil	Nil
Summary of the performance and financial position of associates		
The aggregate profits, assets and liabilities of associates are:		
Profits (loss) from ordinary activities after income tax	41,712	58,965
Assets	6,824,477	4,595,114
Liabilities	(627,886)	(144,336)

Note 27. Economic dependency

The major business activities of the group during the year 2015/15 were the management of the London City Equities portfolio, the depositing of funds and the sale of the MainstreamBPO investment. The 30.1% owned London City Equities at 30 June 2016 owns interests in companies in the financial services sector. Together with that indirect interest Imperial Pacific has its own interests in the same sector. Accordingly the group has some dependency on the financial services sector.

Note 28. Events occurring after balance date

The Directors have declared a fully franked dividend of 5.0 cents per share for 2016. This is not shown in the accounts.

Note 29. Cash Flow Information

Reconciliation of operating profit after income tax to net cash inflow from operating activities:

Operating Profit (Loss) after Income Tax	(167,681)	(161,952)
Non cash flows in operating profit / (loss) :		
Income Tax Credit	-	-
Dividend Received - Associated Company	64,914	64,914
Equity Accounted Interest in Associated Company	(12,541)	(17,728)
Changes in Operating Assets and Liabilities		
(Increase) Decrease in other Debtors	(42,097)	(22,977)
Increase (Decrease) in other Creditors	35,611	24,389
Net Cash used by Operating Activities	<u>(121,794)</u>	<u>(113,354)</u>
Cash Balances at Year End comprise:		
Cash at Bank and on hand (Note 6)	597,956	415,917
Balance as per Cash Flow Statement	<u>597,956</u>	<u>415,917</u>

Note 30. Earnings per share

	2016	2015
Basic and Diluted Earnings per share		
(No dilution as no options in existence)	Cents (5.77)	(5.57)
Weighted average number of ordinary shares during the year used in the calculation of basic EPS	2,906,504	2,906,504