



# IMPERIAL PACIFIC LIMITED

ABN 65 000 144 561

## ANNUAL REPORT

2016

Imperial Pacific  
Asset Management  
Pty Limited



*Incorporated in 1937* - 100% owned

  
LONDON CITY EQUITIES  
LIMITED

*Incorporated in 1986* - 30.1% owned





# IMPERIAL PACIFIC LIMITED

ABN 65 000 144 561

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Shareholders of Imperial Pacific Limited will be held at Level 4, 20 Loftus Street, Sydney NSW on Thursday 27 October 2016 at 11.30 am.

### Ordinary Business

1. To receive, consider and discuss the Directors' Report and Accounts for the year ended 30 June 2016 and payment of dividend.
2. To adopt the Remuneration Report for the year ended 30 June 2016 as disclosed in the Directors Report. (Note: The vote on this resolution is advisory only and does not bind the Directors.)
3. To elect a Director. In accordance with the Constitution Mr. P.E.J. Murray retires by rotation, and being eligible, offers himself for re-election. (Details of Mr Murray are shown later.)
4. To elect a Director. In accordance with legislative requirements Mr. D.G. Butel retires due to his appointment as a Director since the last Annual General Meeting, and being eligible, offers himself for re-election. (Details of Mr Butel are shown later.)

### Other

5. To transact such other business as may be brought forward in accordance with the Constitution and the Corporations Act 2001.

By Order of the Board

Louis J Joseph  
Company Secretary

Sydney, 1 September 2016

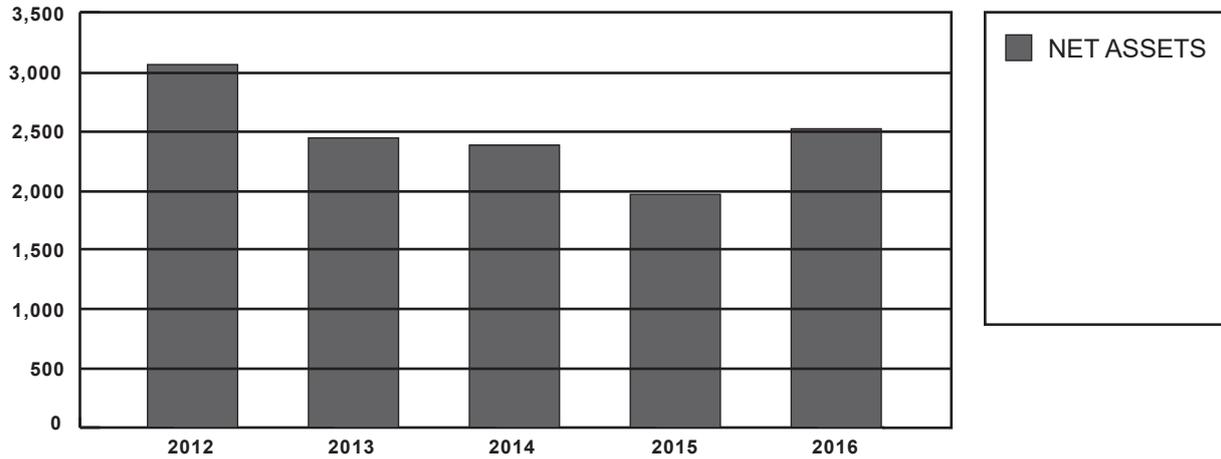
### PROXIES

A member entitled to attend and vote is entitled to appoint no more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. A proxy need not be a member of the Company. Proxies must be deposited or sent electronically to the registered office of the Company not less than 48 hours before the time of the meeting. A proxy form is enclosed with this notice

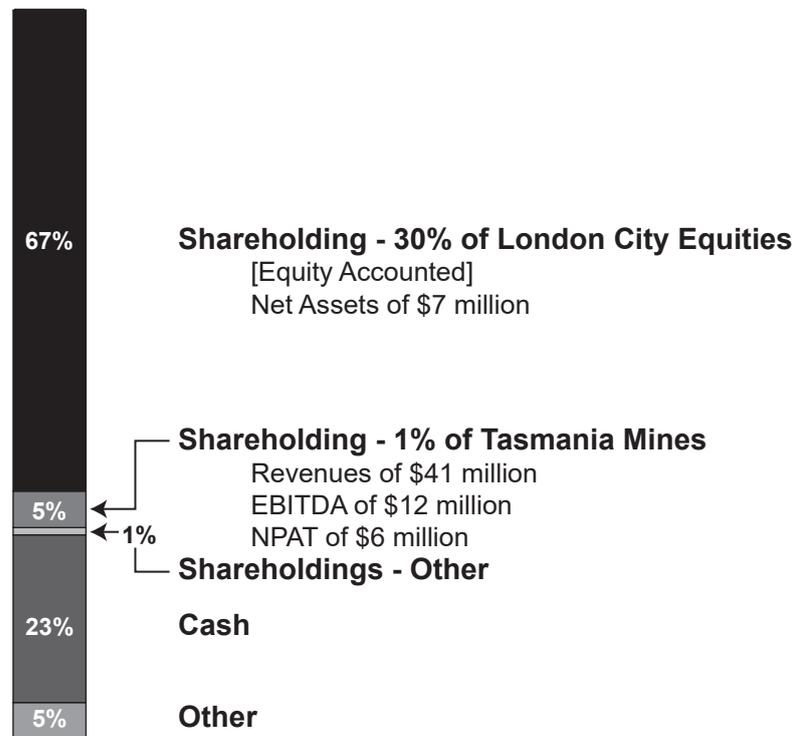


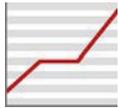
# IMPERIAL PACIFIC LIMITED

## Net Asset Changes Last Five Years 2012 - 2016 (After Payment of dividends)



## Our Assets – 30 June 2016





# IMPERIAL PACIFIC LIMITED

## Key Features for 2015/2016

- Excellent year with 35% appreciation in Shareholder Net Worth.
- Cash holdings remain comfortable
- Fully franked dividend of 5 cents paid – another due in October 2016.
- Purchase of a \$5 million debt in Penrice assists the tasks of Imperial Pacific, London City and advisors to seek recovery of funds from the Penrice shambles.
- Interest in resource sector maintained – stake in Tasmania Mines increased.
- Holding in MainstreamBPO Limited exited upon ASX flotation.
- Distinctive Investment opportunities continue to be sought

## Corporate Directory

<b>Directors:</b>	P. E. J. Murray BA, FCA, SA Finsia (Chairman of Directors) D. G. Butel MBA, BSc, Dip Bus Std, Dip Ed. D. A. Sutherland BSc
<b>Company Secretary:</b>	L. J. Joseph BComm,
<b>Auditors</b>	Cutcher & Neale, Chartered Accountants 25 Bolton Street, Newcastle, NSW 2300
<b>Bankers</b>	Westpac Banking Corporation Bank of Western Australia (BankWest)
<b>Corporate and Registered Office:</b>	Level 4, 20 Loftus Street, Sydney NSW 2000 Postal Address: PO Box R1414, Royal Exchange, NSW 1225 Telephone: (02) 9247-9315
<b>Share Registrar</b>	Registry Direct Level 6, 2 Russell Street, Melbourne, Vic 3000 Telephone: (03) 9020 7934 or 1300 55 66 35
<b>Web-site:</b>	<a href="http://www.imperialpacific.com.au">www.imperialpacific.com.au</a>
<b>Stock Exchange</b>	Australian Securities Exchange Limited (Home Exchange – Sydney (Code - “IPC”) 20 Bridge Street, Sydney, NSW 2000



# IMPERIAL PACIFIC LIMITED

## Chairman's Review of 2016

### The Year – Our Net Worth outperforms market indices

How did we perform against the market? While the ASX All Ordinaries Index fell 3% June to June our net worth rose **35%**, less the outflow of a 5 cent dividend last October. The appreciation in 30% owned London City Equities investment portfolio was very positive. Again we see low interest rates and worldwide volatility present as annoying influences on market behaviour – with the Australian market up 5% since 30 June.

London City now owns 5.7% of the well managed performer Fiducian Group and sold into a takeover during the year its 2% holding in Coffey International. Again the Penrice Soda liquidation has attracted our attention. To assist our status there our subsidiary purchased for a nominal sum some debts of \$5 million owing by Penrice - borrowed by Penrice just weeks before it went into Administration!

### Investment Portfolio enhanced

**London City Equities Limited**, 30.1% owned, reported an excellent appreciation in assets although only a modest operating profit \$42,000 in 2016. London City has continued to enhance its ability to pay fully franked dividends. The tasks pursued for London City on Penrice and the possible recovery of funds continues with the Imperial Pacific group. We exited the 2% shareholding in **MainstreamBPO Limited** on its listing last year for a gain of \$306,000. In the resources sector our subsidiary, **Imperial Pacific Resources Pty Limited**, has increased its shareholding in **Tasmania Mines Limited** to 1.0% of its capital. Tasmania Mines Limited is Australia's leading magnetite supplier to the coal industry, is profitable and pays modest dividends.

### Board Changes

After a long career with BHP we were fortunate to have had on our Board Mr Rob Chenery for eight years. Rob retired earlier this year and his position was taken by Mr David Butel who we knew as the appointed Managing Director of CCI Holdings during our active investment there. Since the takeover of CCI by the French Bureau Veritas organisation David held very senior roles there until his retirement this July. He brings to Imperial Pacific experience in high level business management, acquisitions and international resource services.

### Financials - Results and Dividend of 5.0 cents

The fortunes of Imperial Pacific appreciated through its profitable exit of its 2% shareholding in MainstreamBPO and the solid appreciation in its investment portfolio. These items, however, are shown directly in the balance sheet and not the Income Statement where an operating loss similar to last year at \$166,000 was reported. We paid another fully franked dividend of 5 cents a share during the year.

### Net Tangible Assets – close to \$1.00 per share today

Net tangible assets at 30 June were up 28% at \$2.5 million, or 87 cents a share after paying a 5.0 cent fully franked dividend during the year. Since balance date London City's portfolio has appreciated by around \$1.2 million and this should lift Imperial Pacific's net asset position by \$350,000 to around \$1.00 a share today.

### Activist Investment Fund

We continue to be encouraged by the current stock market and by poor corporate management to establish a new Australian Activist Investment Fund, one where an aggressive, but supportive, stance can be taken in undervalued companies by Imperial Pacific and known seasoned industry executives. We have some candidates on our list.

### Outlook

We will continue our cautious attitude to investment. We will spend serious time on the Penrice situation and on the Activist Investment front as well.

P. E. Murray  
Chairman of Directors

1 September 2016



# IMPERIAL PACIFIC LIMITED

ABN 65 000 144 561

## Statutory Directors' Report for the Year to 30 June 2016

Your Directors present their report on the Company and its controlled entities for the year ended 30 June 2016.

### Strategic Positioning

Imperial Pacific's key objective is to create and maintain a group of entities that provide productive services to the financial sector. In addition to participating in equity ownership, Imperial Pacific offers traditional and innovative management and financial assistance to those entities in which it has an interest, such as London City Equities (30.1% owned). Imperial Pacific undertakes specific and short term financial services focus, rather than operate as a longer term strategic equity holder in the broader investment sector such as London City Equities Limited. Imperial Pacific is risk averse. It can be assertive when required.

Imperial Pacific seeks to provide shareholders with attractive investment returns over the medium to longer terms by enhancing capital growth and paying dividends that over time grow faster than the rate of inflation.

### Directors and Officers

The Directors and officers of the Company in office at any time during of the year are as follows:

**Peter E.J. Murray** - Chairman of Directors.

Chartered Accountant, Bachelor of Arts, Senior Associate Financial Services Industry of Australia, Member Turnaround Management Association of Australia.

Mr Murray has spent over 35 years involved in company management, corporate finance and ASX listed company matters. He has been a senior executive in merchant banking and stockbroking at Director level. Experienced in corporate financial advice, mergers, fund raisings and general corporate management. Chairman of Imperial Pacific Limited since 1980. Past Chairman of Directors of Camelot Resources NL and CCI Holdings Limited. Director and Chief Operating Officer of London City Equities Limited. Director of Delany Foundation Limited. [ Director of Imperial Pacific Limited since 1981]

**David Butel** – Independent Non Executive Director – Appointed 9 February 2016.

*Special Responsibility: Member of Audit, Compliance and Risk Management Committee*

Master of Business Administration, Bachelor of Science, Diploma of Business Std, Diploma of Education.

Mr Butel has had over 30 years of active executive involvement at senior levels in the Australian resources and services sector in the vital fields of Testing, Inspection and Certification. In recent years his participation has been through ACIRL Pty Limited, CCI Holdings Limited and the international Bureau Veritas organisation as Senior Vice President Commodities – Pacific Zone. He is experienced in high level business management, acquisitions and international resource services. [Director of Imperial Pacific since February 2016]

**David Sutherland** – Independent Non Executive Director

*Special Responsibility: Chairman of Audit, Compliance and Risk Management Committee and Chairman of Remuneration Committee*

Bachelor of Science (Agriculture)

Mr. Sutherland's background has been in the securities markets for over thirty years. He has held senior positions in the sector within merchant banks, stockbrokers and investment houses over this period. In recent times he held the executive position of Investment Manager at HGL Limited for seven years where he had particular experience with corporate equity investments. [Director of Imperial Pacific Limited since 2012.]

## Statutory Directors Report (Cont'd)

### Directors and Officers (Cont'd)

**Robin Chenery** - Non Executive Independent Director retired as a Director on 9 February 2016..  
*Special Responsibility during the year: Chairman, Audit, Compliance and Risk Management Committee*

**Louis J Joseph** – Company Secretary  
 Bachelor of Commerce, Member Turnaround Management Association of Australia.

Mr Joseph has been involved directly in businesses in both the commercial sector and in the securities industry. His experience has been developed within Australia and in overseas locations, including Asia. His expertise includes small business management, financial markets and securities analysis. [Company Secretary of Imperial Pacific Limited since 2016.]

### Particulars of Directors' Interests in Shares in the Company are:

	Ordinary Shares
PEJ Murray	1,166,893
DG Butel	1,000
DA Sutherland	1,000

During the financial year these formal meetings were held:

	Board Meetings		Audit, Compliance and Risk Committee		Remuneration Committee	
	Eligible to attend	Number Attended	Eligible to attend	Number Attended	Eligible to attend	Number Attended
P. E. J. Murray	6	6	-	2*	-	2*
R. Chenery (to 9 Feb 16)	3	3	1	1	1	1
DG Butel (from 9 Feb 16)	3	3	1	1	1	1
D. A. Sutherland	6	5	2	2	2	2

\* By invitation.

In accordance with the Constitution, Mr. Murray retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. Mr Butel, appointed since the last AGM retires from the Board and, being eligible, offers himself for re-election.

### Remuneration Report

The company has a Remuneration Committee which is responsible for remuneration policies and monitors the remuneration of Directors and officeholders with market conditions. A summary of the policies is set out later in this Annual Report. Details of the emoluments of the Directors are set out in Note 18 of the financial statements and are also shown below:

:	Fees	Super Contributions	Total
Mr P.E.J.Murray	\$123,200	-	\$123,200
Mr R Chenery	\$16,667	-	\$16,667
Mr DG Butel	\$9,800	-	\$9,800
Mr.D.A.Sutherland	\$25,000	\$2,374	\$27,374

### Principal Activities

The principal activities of the economic entity in the course of the financial year were in strategic equity investment in financial services and the portfolio management of London City Equities Limited, this latter role carried out through the Australian Financial Services Licence held by subsidiary, Imperial Pacific Asset Management Pty Limited. London City expanded its portfolio with an increased investment in Fiducian Group Limited (now 5% owned). Efforts were also directed at resolving London City's adverse involvement in Penrice Soda Holdings Limited, a company now in liquidation. These include the purchase of a \$5 million debt owing by Penrice.

## **Statutory Directors Report (Cont'd)**

### **Results and Dividend Status**

Imperial Pacific's net asset base increased significantly by 28% through enhanced portfolio values and despite an operating loss for the year of \$167,681(loss \$161,952 in 2015). The Directors have declared the payment of a dividend of 5.0 cents per share, fully franked, for 2016.

### **Objectives, Achievements and Review of Operations**

The Board's prime objective during the year was the longer term enhancement of group assets. This necessitated attention on the London City associate, especially with its adverse investment in Penrice Soda. One objective is to determine whether action may be taken against the directors and associated parties of Penrice to recover major losses on this investment.

Imperial Pacific continues to have a debt free Balance Sheet and its key investment, London City Equities, reflects the same conservatism.

### **Significant changes in the state of affairs**

There have been no significant changes in the state of affairs.

### **Matters subsequent to the end of the financial year**

Directors have declared the payment of a fully franked dividend of 5.0 cents per share for 2016. Directors also note that the share portfolio of 30% owned London City Equities Limited has appreciated some \$1,000,000 since balance date.

### **Likely developments and expected results of operations**

Directors intend to focus on enhancing the values of Imperial Pacific's assets, particularly its AFS licensed operator Imperial Pacific Asset Management Pty Limited. In this regard Imperial Pacific has been working to establish a moderately aggressive Activist Investment Fund to locate targets and convert performance with Imperial Pacific and known seasoned industry executives. . The Board recognises its modest funding base and intends to pursue a Share Purchase Plan soon.

In the opinion of the Directors likely developments in the operations of the company known at the date of this report have been covered generally within the Annual Report.

### **Environmental regulation**

The Company is not subject to significant environmental regulations under any Commonwealth, State or Territory Law.

### **Proceedings in relation to the company**

At the date of this report no person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company.

### **Directors and auditors indemnification**

The company has not, during or since the end of the financial year in respect of any person who is or has been an officer or auditor of the company or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred by an officer, including costs and expenses in successfully defending legal proceedings; or paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings . There is at present no formal insurance policy in existence, a matter being reviewed.

## Statutory Directors Report (Cont'd)

### Risk and Compliance Control

The Board of Directors has in place an Audit, Compliance and Risk Management Committee to assist its deliberations in respect of these issues. The ACRM Committee meets regularly and considers, amongst other things, internal control processes of the company. All Board meetings consider issues raised by the ACRM Committee and formal management reports on the compliance by the company with its key obligations. The Board also notes the regulatory compliance obligations of its portfolio management subsidiary, Imperial Pacific Asset Management Pty Limited.

The Directors have received and considered the Section 295A certification from the senior officeholder responsible for meeting the company's financial, operational and compliance requirements.

### Auditor

The auditor continues in office in accordance with Section 327 of the Corporations Act 2001.

### Non-audit Services.

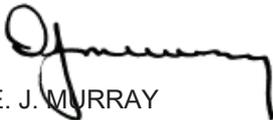
Details of the non-audit services provided by the auditor are set out at Note 18 of the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means the auditor independence was not compromised.

### Auditor's Independence Declaration

A copy of the auditor's declaration under Section 307C in relation to the audit for the financial year is provided later in this report. .

Signed in accordance with a resolution of the Directors. Dated at Sydney this 18th day of August, 2016.

On behalf of the Board,



P. E. J. MURRAY



D. A. SUTHERLAND



# IMPERIAL PACIFIC LIMITED

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## Corporate Governance Statement – 30 June 2016

Imperial Pacific has noted the updated “principles and recommendations” of the ASX Corporate Governance Council effective from 1 July 2014. The Board of Imperial Pacific believes it carries out the broad thrust of the guidelines in a proper and pragmatic way for a small company in the strategic financial services investment business. In some cases it has not adopted recommendations. The corporate governance policies of the company and the departures from the recommendations are discussed below. This Corporate Governance Report has been approved by the Board and is current at 18 August 2016.

### ***Principle 1 Lay solid foundations for management and oversight***

Imperial Pacific has a Board Charter which establishes the functions reserved to the Board and to senior management. Imperial Pacific operates its business through its Board of Directors and management. The Board sets and monitors strategic business plans and shorter term operating challenges. The Board meets at least once a quarter. Imperial Pacific has a formal policy in relation to Core Business Processes as well as formal policies on investment processes and approvals. Written agreements are in place with ongoing Directors. The company secretary is directly accountable to the Board. The operations of the company and delegation of duties are inherent in a public listed organisation with investments that may impact on other companies. A copy of the Board Charter is set out in the rear pages of this Annual Report.

Imperial Pacific supports the principle of diversity of skills, background and gender in relation to board membership, management composure and commercial activity. It has incorporated into its Board Charter a policy in this regard. While such diversity is considered when the opportunity arises, the Board recognises that a company of the size of Imperial Pacific, conducting investment activities with three directors and with no formal employees, has limited scope for making major changes. The Board considers numerical statistics are not meaningful in such a company.

### ***Principle 2 Structure the Board to add value***

The Board of Directors is structured to add long term value to Imperial Pacific. The Directors hold a variety of professional, securities market and corporate skills, operating in a climate where cost effectiveness is a key issue and shareholding interests encourage active participation. There are three Directors, of whom two are regarded for corporate governance purposes as independent. Directors believe it is not practicable, nor cost-effective, for Imperial Pacific to have an “independent” (as defined by the governance principles) Chairman. Indeed the Directors believe it is positive that major shareholdings are held by Directors. Imperial Pacific does not have a position entitled Chief Executive Officer. Imperial Pacific’s policy allows Directors, subject to Board approval, to take independent professional advice at its expense. Directors also point out that they regard a formal Board nomination committee as not being appropriate for a company like Imperial Pacific. This is undertaken by the Board as a whole as and when circumstances dictate. The criteria set for membership of the Board is to ensure that there exists a sufficient mix of skills and experience for a company of the nature of Imperial Pacific to add value and enhance shareholders’ wealth.

The Directors also believe they are very open and transparent in disclosing their plans, aspirations and financial results to the shareholders. They believe the annual shareholder meetings provide a good opportunity for shareholders to evaluate their performance. Directors are subject to re-election every three years. The Board has a policy of operating a tight structure, but appoints external parties experienced in specific sectors from time to time to provide the Board with expert advice and undertake special projects.

### ***Principle 3 Act ethically and responsibly***

The Board is committed to ensuring that the group's affairs are conducted in a judicious and ethical manner above and beyond legal and regulatory obligations. To meet these objectives Imperial Pacific has in place a formal Code of Conduct Policy. It also has a Securities Trading Policy in place to cater for dealing in the company’s securities in addition to complying with legislative and regulatory obligations. Directors and officeholders are prohibited from dealing in Imperial Pacific between the end of accounting periods and the release of results without the written consent of the Chair. Investments on the Embargo List are prohibited without the approval of the Board. A copy of the Securities Trading Policy is on the ASX Announcements platform – dated 29 December 2010.



# IMPERIAL PACIFIC LIMITED

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## Corporate Governance (Continued)

A summary of terms of the Code of Conduct follows:

Imperial Pacific and its shareholders expect that each Director, member of staff and / or related personnel should pursue exemplary conduct in respect of ethics, roles and responsibilities of their office. The Group's directors and employees should conform with high community standards of corporate and individual behaviour, in particular:

### PERSONAL BEHAVIOUR AND ACCOUNTABILITY

- a. Role and statutory responsibilities as an officer of the corporation
- b. Awareness of social responsibilities
- c. Obligations to all corporate stakeholders
- d. Honesty and fairness in dealings
- e. Pursuit of the best interests of the corporation
- f. Adherence to Group policies and practices
- g. Continuing assessment of corporate opportunity and risk
- h. Undertaking training and being informed on current commercial and business matters.

### SECURITY AND CONFIDENTIALITY

- a. Boardroom confidentiality
- b. Security of corporate information
- c. Misuse of corporate information

### MANAGEMENT OF PRIVATE INTERESTS

- a. Declaration of private interests including any interest in Group contracts
- b. Gratuities, gifts, and other benefits related to corporate office
- c. Potential and real conflicts of interest

### COSTS TO THE CORPORATION

- a. Expenses incurred on corporation business
- b. Fringe benefits and allowances including leave and retirement allowances
- c. Sundry claimable expenses

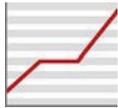
Failure to observe high standards in relation to the foregoing will constitute grounds on which the Board of Imperial Pacific may by resolution of the directors institute such disciplinary or remedial action as it deems appropriate and necessary. This may include dismissal and/or reporting to relevant authorities.

## ***Principle 4 Safeguard integrity in corporate reporting***

The Board has in place an Audit, Compliance and Risk Management Committee which comprises two non-executive Directors, (Mr Sutherland as Chairman and Mr Butel as the other party). Of these, both members are regarded as independent. Their attendance at committee meetings during the year is set out elsewhere in this Annual Report. With a Board incorporating only three personnel Imperial Pacific believes two members, rather than three, are appropriate for an entity of its nature. Imperial Pacific has further assurances in regard to financial reporting integrity because of the involvement of external auditors. Its subsidiary, Imperial Pacific Asset Management, has extensive ASIC obligations. Operating office-holders are professionally qualified in financial reporting matters. The Board has received positive written Section 295A opinions from the Chief Operating Officer and Chief Financial Officer equivalents and that such has been formed on an effective sound system of risk management and internal control in accord with the company. In relation to audit partner rotation of the company's external auditors, the Board monitors the situation in conjunction with the audit firm. The Audit, Compliance and Risk Management Committee has a formal charter. A summary is set out in the rear pages of this Annual Report.

## ***Principle 5 Make timely and balanced disclosure***

The Board aims to ensure timely, balanced and continuous disclosure to the market of all material matters concerning Imperial Pacific in accordance with the ASX continuous disclosure regime and appropriate corporate transparency. To carry out this obligation effectively the Board is both sensitive to the requirements of an informed market and it has in place a Communications Policy which encompasses a continuous disclosure policy. It seeks to keep its shareholders informed through reports to the Australian Securities Exchange, half and full-year profit disclosures, annual reports and material shareholder information announcements. While the Board is ultimately responsible for this task, the Chairman carries the immediate administrative obligation for meeting communications obligations and shareholder transparency. A summary of the Communications Policy follows:



# IMPERIAL PACIFIC LIMITED

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## Corporate Governance (Continued)

The Board of Imperial Pacific firmly believes in providing quality communications to its shareholders and other stakeholders. This includes meeting the company's obligations to the Australian Securities Exchange ("ASX") in relation to Continuous Disclosure Obligations. Imperial Pacific aspires to over-deliver, rather than under-deliver information to its stakeholders. In view of this approach, Imperial Pacific meets the ASX Corporate Governance Principle No 5.

Imperial Pacific seeks to provide to its stakeholders the highest levels of communication standards by adopting the following focus:

- Shareholders are the owners of the company and are entitled to the maximum of information.
- The company will provide all regulatory documentation such as Annual Reports and other letters of advice on a consistent and timely basis
- Imperial Pacific will maintain a web site that provides information on its activities for external consumption.
- Communications will be set out in a clear way, be honest, be factual and endeavour to answer all likely queries that may arise.
- Imperial Pacific will not employ financial "spin doctors" or embellish a story.
- Annual Reports will be explanatory and will be mailed as soon as possible and sent to shareholders in a hard copy.
- Shareholders are encouraged to telephone management to discuss issues and subject to confidentiality issues, full explanations will be forthcoming.
- Imperial Pacific will announce all important and material items as soon as practicable. Where announcements may impact on other organisations, Imperial Pacific may advise that organisation on a confidential basis beforehand.

The Board of Imperial Pacific is primarily responsible for communicating matters to stakeholders. Management personnel will provide the support for the preparation and distribution of announcements. Mr Peter EJ Murray is the senior executive responsible for Imperial Pacific meeting its Continuous Disclosure obligations to the Australian Securities Exchange and any ASIC required communications.

### ***Principle 6 Respect the rights of security holders***

Imperial Pacific, as reported earlier, has a communications policy in place. This recognises the importance of effective communications with shareholders and other parties. Imperial Pacific has an informative web-site that assists shareholders in making decisions on their rights and contacting the company electronically. Furthermore, the shareholders have other formal and informal rights provided by the company's Constitution, regulatory bodies and proper public company behaviour. These rights include their entitlement to financial statements, attendance at shareholder meetings, participation by voting on the election of directors at the Annual General Meeting and on other important issues. The auditor is invited to attend the Annual General Meeting, however the board notes that auditor is professionally restricted from providing detailed financial information and is limited to discussing audit process. Shareholder meetings are conducted in an open forum with wide discussion encouraged by the Chairman.

### ***Principle 7 Recognise and manage risk***

Imperial Pacific has established policies for the recognition, oversight and management of material business risks. It does not consider it has material exposure to economic, environmental and social sustainability issues. Given the volatility of equity markets and economic conditions, especially in recent times, Imperial Pacific regards risk management as a very important issue. It does not have a formal internal audit function but has in place an Audit, Compliance and Risk Management Committee comprising two non-executive and independent directors. Risk recognition, oversight and management issues are carried out by senior personnel in conjunction with the Board, the Committee and in some cases, external professionals. The Audit, Compliance and Risk Management Committee's framework was reviewed in September prior to the completion of the Annual Report.

While the company's internal policies are considerable, the Board points out that, as a strategic holding company in financial services investing in other companies' equity, it can be difficult to monitor the behaviour of those entities, especially when weak regulatory bodies fail to examine and enforce corporate law. The Board has received positive written Section 295A assurances from the Chief Operating Officer and Chief Financial Officer equivalents. A summary of Imperial Pacific's policies on risk recognition, oversight and management follows:



# IMPERIAL PACIFIC LIMITED

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## Corporate Governance (Continued)

Imperial Pacific believes in competent risk recognition, oversight and management. It recognises that as a strategic investment group in financial services there is some danger where the investee organisations do not provide proper business or financial reporting disclosures or does not meet competent risk management practices. For these reasons Imperial Pacific must continue to be vigilant in these procedures.

Imperial Pacific seeks, as far as practicable for an organisation in strategic investment in other companies, to undertake competent levels of risk management. These relate to its internal and external matters:

### Internal Matters (Own resources)

- Imperial Pacific seeks to have a comfortable asset base in which it has no formal gearing.
- Investments must be selected carefully and generally monitored for some time before any shares are purchased.
- Imperial Pacific notes its key investee, London City, concentrates on investment opportunities where it can acquire a reasonably significant equity stake (eg 10%-20%) in a company that can be understood, has a leading position in its market, has good management and represents good investment value with attractive IRRs.
- Imperial Pacific must be available to work in with investee companies.
- Imperial Pacific must remain cost conscious.
- Surplus monies must be placed only with its trading bankers,
- Monies on Deposit and investments must take account of external advice when necessary.
- Good internal controls to be maintained, disaster recovery assessed and regulatory compliance pursued.

### Other Matters (External Factors)

- Imperial Pacific must monitor economic, stock-market, industrial sector conditions and maintain close contact with existing investee companies
- Imperial Pacific must have the potential (where events prove unsatisfactory) to become active supporters of the investee company either through direct Board representation or by arms-length support.
- Imperial Pacific must maintain close contacts in various industries of interest. .
- London City may seek Board representation with certain investee entities.

The Board of Imperial Pacific is primarily responsible for risk recognition, oversight and management. The Board of Imperial Pacific is assisted in its deliberations by the Audit, Compliance and Risk Management Committee (ACRM). Both the Board and the ACRM Committee are assisted by the management of Imperial Pacific. Risk Management issues must be discussed regularly. All Board meetings must be provided with full details of current investments, targeted investments and funds on deposit

## ***Principle 8 Remunerate fairly and responsibly***

Imperial Pacific has a Remuneration Committee in place. The Remuneration Committee is responsible for assessing appropriate remuneration and payment for Directors as well as for other office holders and the portfolio management service provider. The Remuneration Committee comprises two experienced non-executive directors, Mr Sutherland (Chairman) and Mr Butel. Both are regarded as independent under the ASX definition. Details of their attendance at committee meetings are set out elsewhere in this Annual Report. Ultimately shareholders approve directors' fees and in 2007 a maximum payout of \$125,000 per annum was approved. Current fees are significantly below this level and reflect the nature and size of the company.

Except for compulsory legislative obligations Imperial Pacific has no scheme for retirement benefits for non-executive directors. Furthermore, Imperial Pacific has no equity based remuneration scheme and has no requirement for policies in this regard. A summary of the Remuneration Committee Charter is set out in the rear pages of this Annual Report.

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## Consolidated Income Statement for the year ended 30 June 2016

	<i>Notes</i>	<b>2016</b> \$	<b>2015</b> \$
<b>Revenue from ordinary activities</b>	3	287,763	67,298
<b>Less:</b>			
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
<b>Profit from ordinary activities before income tax</b>		(167,681)	(161,952)
Income tax credit (expense)	5	-	-
<b>Net Profit (Loss) attributable to members of Imperial Pacific Limited</b>		<b>(167,681)</b>	<b>(161,952)</b>
<b>Earnings per share:</b>			
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.

# IMPERIAL PACIFIC LIMITED

ABN 65 000 144 561



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

	<i>Notes</i>	2016 \$	2015 \$
<b>Profit (Loss) for Year</b>		<b>(167,681)</b>	<b>(161,952)</b>
<b>Other Comprehensive Income (Expense)</b>			
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)
<b>Total Other Comprehensive Income (Expense)</b>		<b>865,080</b>	<b>(106,337)</b>
<b>Total Comprehensive Income (Expense) for the year for equity holders</b>		<b>697,399</b>	<b>(268,289)</b>

The accompanying notes form part of these financial statements.

# IMPERIAL PACIFIC LIMITED

ABN 65 000 144 561



## Consolidated Balance Sheet as at 30 June 2016

	Notes	2016 \$	2015 \$
<b>Current assets</b>			
Cash and cash equivalents	6	597,956	415,917
Receivables	7	76,099	24,784
<b>Total current assets</b>		<b>674,055</b>	<b>440,701</b>
<b>Non-current assets</b>			
Investment Portfolio	9	1,892,370	1,545,734
Tax Asset	8	69,100	61,404
<b>Total non-current assets</b>		<b>1,961,470</b>	<b>1,607,138</b>
<b>Total assets</b>		<b>2,635,525</b>	<b>2,047,839</b>
<b>Current liabilities</b>			
Trade and other payables	10	117,594	81,983
Tax liabilities	11	-	-
<b>Total current liabilities</b>		<b>117,594</b>	<b>81,983</b>
<b>Total liabilities</b>		<b>117,594</b>	<b>81,983</b>
<b>Net assets</b>		<b>2,517,931</b>	<b>1,965,856</b>
<b>Equity</b>			
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)
<b>Total equity</b>		<b>2,517,931</b>	<b>1,965,856</b>

The accompanying notes form part of these financial statements.

# IMPERIAL PACIFIC LIMITED

ABN 65 000 144 561



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

	<i>Notes</i>	2016 \$	2015 \$
<b>Total Equity at the beginning of the year</b>		<b>1,965,856</b>	<b>2,379,469</b>
<b>Transactions with Equity holders in their capacity as equity holders:</b>			
Dividends provided or paid		(145,324)	(145,324)
<b>Total transactions with Equity holders in their capacity as equity holders:</b>		<b>(145,324)</b>	<b>(145,324)</b>
<b>Income and Expense for Year:</b>			
Profit (Loss) for Year		(167,681)	(161,952)
<b>Other Comprehensive Income for the year:</b>			
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
		<b>747,225</b>	<b>(106,337)</b>
<b>Total recognised income (including unrealised gains) and expenses for the Year</b>		<b>434,220</b>	<b>(413,613)</b>
<b>Total Equity at the end of the year</b>		<b>2,400,076</b>	<b>1,965,856</b>

The accompanying notes form part of these financial statements.

# IMPERIAL PACIFIC LIMITED

ABN 65 000 144 561



## Consolidated Cash Flow Statement for the year ended 30 June 2016

	<i>Notes</i>	<b>2016</b> \$	<b>2015</b> \$
<b>Cash flows from operating activities</b>			
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	<b>(121,794)</b>	<b>(113,354)</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(37,242)	(130,837)
Proceeds from sale of investments		486,400	-
Net Cash provided by (used in) investing activities		<b>449,158</b>	<b>(130,837)</b>
<b>Cash flows from financing activities</b>			
Receipts (Payments) - related companies		-	16,765
Dividends Paid		(145,325)	(145,325)
Net Cash used in financing activities		<b>(145,325)</b>	<b>(128,560)</b>
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	<b>597,956</b>	<b>415,917</b>

The accompanying notes form part of these financial statements.



**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.



**(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



**(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.

**(n) Financial Statements Approval**

The financial statements were authorised for issue by the Board of Directors on 5 August 2016.

**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
<b>2016</b>			
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
<b>2015</b>			
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
<b>From continuing operations</b>		
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	-	-
<b>Total Revenue</b>	<u>287,763</u>	<u>67,298</u>
<b>Share of net profit (loss) of associate accounted</b>	<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)
<b>Total Operating Expenses</b>	<u>(262,739)</u>	<u>(246,978)</u>
Cost of Trading Investments Sold	(205,246)	-
<b>Net Operating Profit (Loss) before Tax</b>	<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	-	-
	<u>-</u>	<u>-</u>

(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:

- (i) Assessable income is derived of a nature and of amount sufficient to enable the benefit of the deductions to be realised;
- (ii) Conditions for deductibility imposed by the law complied with; and
- (iii) 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**



**Note 6. Cash and Cash Equivalents**

Cash at Bank and on Hand

	2016	2015
	\$	\$
	597,956	415,917
	<u>597,956</u>	<u>415,917</u>

**Note 7. Current assets - Receivables**

Other Debtors  
 Amounts receivable from:  
 Associated Company

	42,656	21,123
	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  
 Shares in associated corporations - at fair value

	132,664	130,008
	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  
 Other Creditors

	26,247	22,329
	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**

**(a) Share capital**

2,906,504 (2015: 2,906,504)  
 fully paid ordinary shares

	2016	2015
	\$	\$
	1,560,970	1,560,970

**(b) Movement in ordinary share capital:**

Balance at beginning of accounting period  
 Movements during the year  
 Balance at reporting date

	1,560,970	1,560,970
	-	-
	<u>1,560,970</u>	<u>1,560,970</u>

**(c) Movement in ordinary share numbers:**

Balance at beginning of accounting period  
 Movements during the year  
 Balance at reporting date

	2,906,504	2,906,504
	-	-
	<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.



**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) 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.

**IMPERIAL PACIFIC LIMITED**  
Notes to the financial statements - 30 June 2016



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%	<u>1,236,667</u>	<u>1,226,365</u>

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
<b>Financial assets</b>	\$	\$	\$	\$
Cash & cash equivalents	597,956			597,956
Receivables		76,099		76,099
Portfolio Investments	132,664	1,759,706		1,892,370
<b>Financial liabilities</b>				
Other creditors	(117,594)			(117,594)
<b>2015 Allocation</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>	\$	\$	\$	\$
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
<b>Financial liabilities</b>				
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.



**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.



**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.

		<b>2016</b>		<b>2015</b>
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.

		<b>2016</b>		<b>2015</b>
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
<b>2016</b>	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
	<u>174,667</u>	<u>2,374</u>	<u>-</u>	<u>-</u>	<u>177,041</u>
<b>2015</b>					
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
	<u>171,200</u>	<u>2,375</u>	<u>-</u>	<u>-</u>	<u>173,575</u>

(c) Shareholdings

Number of Shares held by Parent Entity Directors / Specified Executives

	Balance	Received as	Options	Net change *	Balance
	1.07.15	Remuneration	Exercised		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
	<u>1,162,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,162,893</u>

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



**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**

	<b>2016</b>	<b>2015</b>
	\$	\$
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	<u>27,500</u>	<u>24,000</u>

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	-	-
	<u>1,527</u>	<u>1,527</u>

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	<u>(6,213,029)</u>	<u>(6,264,566)</u>
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	<u>(459,593)</u>	<u>(244,302)</u>
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>

**IMPERIAL PACIFIC LIMITED**  
Notes to the financial statements - 30 June 2016



**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 Incorp'n	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 <i>(Incorporated in Australia)</i>	30.1%	30.1%	1,759,706	1,234,825	1,565,723	1,565,723
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
<b>Movements in carrying amounts of investments in associate</b>	\$	\$
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
<b>Results attributable to associate</b>	\$	\$
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

**IMPERIAL PACIFIC LIMITED**  
Notes to the financial statements - 30 June 2016



**Note 26. Investment in associate (Cont'd)**

	2016	2015
<b>Reserves attributable to associate</b>	<b>\$</b>	<b>\$</b>
Capital Reserves	(1,808,617)	(2,385,872)
<b>Share of associate's contingent liabilities</b>	Nil	Nil
<b>Share of associate's expenditure commitments</b>	Nil	Nil
<b>Summary of the performance and financial position of associates</b>		
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	Cents	Cents
(No dilution as no options in existence)	(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



# IMPERIAL PACIFIC LIMITED

ABN 65 000 144 561

## Directors' Declaration

In the opinion of the Directors of Imperial Pacific Limited ("the company"):

- (a) the financial statements and notes as set out on pages 11 to 28 are in accordance with the Corporations Act 2001 including
  - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. complying with International Accounting Standards as indicated in Note 1; and
  - c. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2016 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year on that date; 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; and
- (c) the audited remuneration disclosures set out in the financial report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001; and
- (d) the Directors have been given the declarations by the effective chief executive officer and the effective chief financial officer required by Section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.

P. E. J. MURRAY, Director

D. A. SUTHERLAND, Director

Sydney

Dated: 18 August 2016

**Auditors Independence Declaration under Section 307C of the Corporations Act 2001  
To the Directors of**

**IMPERIAL PACIFIC LIMITED AND CONTROLLED ENTITIES  
ABN 65 000 144 561**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2016 there have been:

- i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Cutcher & Neale  
Chartered Accountants



M. J. O'Connor CA  
Partner

17 August 2016

## **Independent Audit Report to the Members of**

### **IMPERIAL PACIFIC LIMITED AND CONTROLLED ENTITIES**

**ABN 65 000 144 561**

#### **Report on the Financial Report**

We have audited the accompanying financial report of Imperial Pacific Limited (the company) Imperial Pacific Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### **Directors' Responsibility for the Financial Report**

The directors of Imperial Pacific Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the Directors also state, in accordance with Accounting Standard AASB101: Presentation of Financial Statements, that compliance with Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

## Independent Audit Report to the Members (cont'd)

### Auditor's Responsibility (cont'd)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement on the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting estimates made by the directors', as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

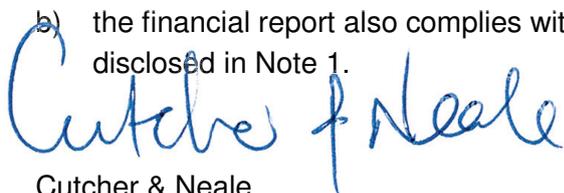
### Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Imperial Pacific Limited (the company) Imperial Pacific Limited and Controlled Entities (the consolidated entity), would be in the same terms if provided to the directors as at the date of this auditor's report.

### Auditor's Opinion

In our opinion:

- a) the financial report of Imperial Pacific Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:
  - i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2016 and their performance for the year ended on that date; and
  - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



Cutcher & Neale  
Chartered Accountants



M. J. O'Connor CA  
Partner

18 August 2016  
NEWCASTLE



# IMPERIAL PACIFIC LIMITED

ABN 65 000 144 561

## Corporate Governance Charters - 2016

### *A – The Board Charter of Imperial Pacific Limited*

The Board of Imperial Pacific Limited (“Imperial Pacific”) recognises that formal and informal responsibilities and tasks are established in the company’s Constitution, in legislation and in regulatory requirements.

The purpose of this Charter is to provide a structural framework to give the Board of Imperial Pacific direction and authority over non contractual, legislative or regulatory responsibilities and duties.

#### **Terms of Reference**

Complementary to contractual, legislative or regulatory responsibilities, the Board’s responsibilities shall include the following:

- Recognising that Imperial Pacific is foremost a business entity.
- Considering and approving corporate strategies and policies, reviewing and approving business plans and major items of expenditure and reviewing and approving financial statements and their presentation to shareholders
- Monitoring and utilising bodies such as the Audit, Compliance and Risk Management Committee and the Remuneration Committee, ensuring that the company has in place a reporting system which enables it to address the compliance and risk management responsibilities of the business carried out by Imperial Pacific.
- Assessing management, including the appointment of executives to the organisation, including the Company Secretary and examining corporate and executive performance.
- Considering Board appointments
- Reviewing from time to time the compliance undertaken by the company’s portfolio manager subsidiary, Imperial Pacific Asset Management Pty Limited.

#### **Membership**

The membership of the Board is determined by the Constitution and “shall be not less than 3 or more than 5”. One-third of (non-executive) Directors must retire from office each year. They may seek re-election. From time to time the Board may consider it appropriate to appoint a new member (or members) to the Board. Personnel considered for selection shall be chosen in the first place on the basis of their requisite business, financial and communications skills. Assessments will then be made as to their suitability for the role in the light of other characteristics including diversity of skills and background, diversity of gender, potential conflicts of interest, personality, costs, availability and the ability to conform to a small company operation such as that of Imperial Pacific. (Independence (as defined by ASX Corporate Governance statements) is not considered an important characteristic for Imperial Pacific. Induction of new Board members is to incorporate detailed explanations of operational matters and assurances as to meeting competent business practices.

Imperial Pacific supports the principle of diversity of skills, background and gender in relation to board membership, management composure and commercial activity. Directors should pursue relevant research and investment presentations to enhance professional development. It will adopt as far as practicable for a company of the size and business activity of Imperial Pacific such a policy in these matters.

#### **Meetings**

The Board proposes to meet a minimum of four times each year. Additional meetings may be initiated by a Director or through requests from senior management.

#### **External Reporting**

The Board recognises its legislative and regulatory obligations to report financial and other events to its owners, the shareholders, on a continuous disclosure basis and to comply with other regulatory obligations such as those of ASIC and ATO and to undertake scrutiny and re-election at Shareholder Meetings.

#### **Other Duties and Responsibilities**

In addition to its formal legislative and regulatory obligations, the Board’s responsibilities include the following:

##### ***Planning and Decision making***

- Considering and approving corporate strategies and policies;
- Reviewing and approving business plans and major items of expenditure
- Assessing and deciding upon Investment opportunities.
- Assessing and deciding upon capital adequacy, gearing ratios and conservative placement of surplus monies on deposit.

## **Board Charter (Cont'd)**

### **Monitoring**

- Meeting regularly, formally and informally
- Monitoring the company's performance and its capital and funding adequacy.
- Creating, monitoring and utilising the Audit, Compliance and Risk Management Committee;
- Ensuring that the company has in place a reporting system which enables it to address the reporting, compliance and risk management responsibilities of the business carried out by Imperial Pacific.
- Reviewing from time to time the compliance undertaken by the company's portfolio manager subsidiary, Imperial Pacific Asset Management Pty Limited.

### **Reporting**

- Ensuring that the company has in place a reporting system which enables it to produce effective, accurate and responsible financial reporting to the shareholders and other parties, including ASIC, ASX and ATO.
- Assessing Section 295A declarations by the CEO and the CFO.
- Reviewing and approving final financial statements and their presentation to shareholders.
- Maintaining open dialogue with all shareholders, especially at the Shareholder Meetings.

### **Management**

- Assessing the need for additional or amended management personnel.
- Examining corporate and executive performance.
- Selecting and appointing executives to the organisation.
- Delegating the task of managing the corporation to executive management, namely:
  - Creating structure of command and responsibilities
  - Day-to-day management of resources
  - Payments of accounts and receipt of monies
  - Recording of transactions
  - Preparation and presentation of investment proposals, updates on existing and potential investments to the Board and via Imperial Pacific Asset Management Pty Limited to portfolio clients
  - Preparation and presentation of various Board reports, agenda and minutes.
- Creating, monitoring and utilising the Remuneration Committee;

### **Liaison with Management**

- The Board is ultimately responsible for the success of the entity and although it undertakes top level strategic planning and decision making for the entity, any Director is entitled to examine and if necessary, audit, any aspect of the company's operations or its management.

### **Codes of Conduct, Securities Dealings**

- Considering and establishing codes of conduct about Director and personnel behaviour.
- Considering and establishing principles in relation to dealing in securities by Directors and company personnel, including Embargo Lists

### **Other**

Any Director has the right, with Board approval, to seek independent professional advice where this is reasonably required for fulfilment of the responsibilities set out in this Charter.

## **B – The Audit, Compliance and Risk Management Committee Charter (Summary)**

The Audit, Compliance and Risk Management ("ACRM") Committee's activities are directed towards satisfaction of Principles 4 and 7 of the ASX Corporate Governance Principles..

### **Terms of Reference**

The primary function of the ACRM Committee is to assist the Board of Imperial Pacific Limited ("Imperial Pacific") in fulfilling its governance responsibilities in the following areas of Audit, Compliance and Risk Management:

#### **A. Audit**

- a. Articulation of the guiding principles to be adopted by the external auditors;
- b. Consideration of operating functions that will ensure adequate internal controls and financial reporting systems are in place.

#### **B. Compliance**

- c. Consideration of operating functions that will provide adequate compliance with all relevant statutory and regulatory requirements and community obligations.

**ACRM Charter (Summary) (Cont'd)**

**C. Risk Management**

- d. Appropriate consideration of operating functions that will provide adequate protection of the company's tangible and intangible assets by acceptable management of risk;

**Membership**

The membership of the ACRM Committee will be determined from time to time by the Board and comprise at least two non-executive members of the Board appointed by the Board on the basis of requisite business, financial and communications skills. The Board appoints the Chairman of the Committee. The Chairman presides over the meetings of the Committee and reports, as necessary, its actions and recommendations to the Board. The company's personnel may be invited to attend meetings. The Chairman may call special meetings of the Committee in addition to those regularly scheduled and may request the attendance of staff and / or external auditors. A Secretary of the Committee may be appointed to facilitate administrative functions including the preparation and circulation of notices of meetings and agendas, and the recording of minutes.

**Meetings**

The ACRM Committee shall meet a minimum of two times during each year. Additional meetings are held at the discretion of the Committee Chairman or by direction of the Board. Agendas and minutes shall be prepared in relation to the meetings.

**Reporting to the Board**

The outcomes of the Committee's deliberations are to be reported to the Board as soon as possible after each meeting of the Committee. The minutes of these meetings are to be circulated to the Board.

**Specific Duties and Responsibilities**

The Committee is given responsibility for considering and advising Board on the following six areas:

**One - Internal Controls and Procedures**

- Ensuring through regular reviews that adequate procedures are in place to safeguard the company's assets provide informative financial statements and reports.
- Reviewing internal audit reports.
- Seeking to ensure that a system is in place to monitor legislative changes and current developments in accounting standards that might impact on the company.
- Assessing Section 295A declarations by the CEO and the CFO.

**Two - External Audit**

- Discussing with the external auditors the scope and extent of the half yearly and full year financial audits
- Reviewing and discussing findings of the external auditors and advising the Board of any issues of concern.

**Three - Published Financial Statements**

- Ensuring that systems are in place to allow the annual report statements to reflect properly the financial condition of the company and comply with ASX listing and other regulatory requirements

**Four - Compliance**

- Ensuring that the company has in place a reporting system which advises the Board periodically and addresses the compliance obligations of a public listed company such as Imperial Pacific.
- Reviewing from time to time the appropriateness of, and compliance action taken, by the company in maximising compliance obligations.
- Reviewing from time to time the compliance undertaken by the company's portfolio manager, Imperial Pacific Asset Management Pty Limited.

**Five - Risk Management**

- Ensuring that the company has in place a system which addresses risk recognition, oversight and management and reports as appropriate to the Board.
- Reviewing from time to time the appropriateness of, and risk management action taken by the company in maximising risk management protection.

**Six - Special Assignments**

- Subject to Board approval, doing such other things as are necessary or prudent to fulfil the responsibilities of the Committee.
- Undertaking other related activities referred to the ACRM Committee by the Board.

**General**

The ACRM Committee has the right at all times to obtain from all levels of management such information as is necessary to fulfil the responsibilities set out in this Charter. The Committee has the right, with Board approval, to seek independent professional advice where this is reasonably required for fulfilment of the responsibilities set out in this Charter.

## **C – The Remuneration Committee Charter (Summary)**

The Remuneration Committee's activities are directed towards satisfaction of Principle 1 of the ASX Corporate Governance Principles. The primary function of the Remuneration Committee is to assist the Board of Imperial Pacific Equities Limited ("Imperial Pacific") in fulfilling its governance responsibilities in the following area:

*Establishing the guiding principles and the actual approval process to be adopted in the payment of sums of remuneration (or applicable financial arrangements) for any Director, or employee of the organisation or related party such as a portfolio management service provider.*

The membership of the Remuneration Committee will be determined from time to time by the Board and comprise two non-executive members of the Board appointed by the Board on the basis of requisite business, financial and communications skills. The Board appoints the Chairman of the Committee. The Chairman presides over the meetings of the Committee and reports, as necessary, its actions and recommendations to the Board. The company's personnel may be invited to attend meetings.

The Chairman may call special meetings of the Committee in addition to those regularly scheduled and may request the attendance of staff. A Secretary of the Committee may be appointed to facilitate administrative functions including the preparation and circulation of notices of meetings and agendas, and the recording of minutes.

The Remuneration Committee shall meet as required, expected to be not less than twice per year. Additional meetings are held at the discretion of the Committee Chairman or by direction of the Board. Agendas and minutes shall be prepared in relation to the meetings. The outcomes of the Committee's deliberations are to be reported to the Board as soon as possible after each meeting of the Committee. The minutes of these meetings are to be circulated to the Board.

The Committee is given responsibility for considering and advising Board on the following three areas:

**One - The Board** - Establishing the guiding principles and the actual approval process to be adopted in the payment of sums of remuneration (or applicable financial arrangements) for members of the Board, predominantly directors fees, examining comparative sums payable in the marketplace for similar services and ensuring proper compliance is undertaken for shareholder approval.

**Two – Management** - Establishing the guiding principles and the actual approval process to be adopted in the payment of sums of remuneration (or applicable financial arrangements) for executive management and examining comparative sums payable in the marketplace for similar services.

**Three - Service Provider** – Assessing and monitoring the payment of administration and management fees to service provider, Moorgate Pacific Corporate Services (associated with Mr PEJ Murray).

The Remuneration Committee has the right at all times to obtain from management such information as is necessary to fulfil the responsibilities set out in this Charter

# IMPERIAL PACIFIC LIMITED



## Additional Information - Australian Securities Exchange Limited

### Distribution of Equity Securities as at 2 September 2016

205 Shareholders held Ordinary Shares

The number of holders in the following categories are:-

1 - 1,000	102
1,001 - 5,000	66
5,001 - 10,000	7
10,001 - 100,000	26
100,001 and over	4
	<hr/>
	205

There were 45 shareholders with a non-marketable parcel of shares.

### Substantial Shareholders - 2 September 2016

P.E.J.Murray  
J.C.Plummer

Shares in which a relevant  
interest could be held  
1,166,893  
685,790

### Twenty Largest Shareholders as at 2 September 2016

The names of the 20 largest shareholders are:-

Name	Shares Held
P.E.J. Murray	811,000
J.C. Plummer	685,790
Capel Court Corporation Pty Limited	355,893
C.F. Moore	145,197
Zoom Zoom Pty Limited	84,813
Henley Underwriting & Investment Company Pty Limited	50,936
C.D. Murphy	43,400
D. Murray	39,840
C.D. & G.H.Amor	39,000
Invia Custodian Pty Limited	38,392
Symspur Pty Limited	37,677
Saddington's Holdings Pty Limited	28,428
M.C. Eckford	26,076
J.J.M. Eckford	26,075
P.H. Eckford	26,075
D. Laughlin	26,075
M Pairidis	26,040
H.M. Jarvie	21,509
Venasta Pty Limited	20,000
Valhalla Investments Pty Limited	19,440
	<hr/>
	2,551,656
Percentage of capital held by top twenty:	87.79%

### Voting

Voting Rights are one vote per share held.

### Service Agreements

There is no Contingent Liability for this company and its subsidiaries for the termination of benefits under service agreements as at the date of this report.

# History – Imperial Pacific Group



**1936** - Arrangements finalised by the Murphy family of New Zealand establishing a clay pipe factory at Imperial Pacific, Newcastle. Company to be the first manufacturer in Australia of de-aired clay pipes.

**1937** - Northern Stoneware Pipe Pty Limited formed on 13 January 1937. The first Chairman was Mr R J Murphy. No.1 and No.2 kilns built and put into operation. Sales expanded to cover eventually most of NSW.

**1954** – Belmont Stoneware Pipe Holdings Limited became the group holding company and was listed on the Sydney Stock Exchange with Mr L E Thompson (Chairman) and Mr H C Eckford (Managing Director).

**1979** - Clay pipe operations ceased and trading wound down. Shareholders funds fell to \$99,034.

**1980** - Mr R.W. Jarvie joins Board. Name changed to Belmont Holdings Limited to reflect Board changes and redirection of the group towards investment banking. Mr P E J Murray appointed Chairman. Bonus Share Issue of 1 for 1.

**1982 and 1983** - Strategic 15% shareholding in Dickson & Johnson Holdings Limited acquired. Formal offer made for Dickson & Johnson resulting in a sale for a large gain.

**1984 and 1985** - Bonus Share Issue of 1 for 2. Belmont site re-developed with a local builder and sold.

**1986** - Shareholders funds pass \$1.0 million. Strategic shareholdings increased. UK investments acquired.

**1987** - Bonus share issue of 1 for 5 and a rights issue of 1 for 3. London City Equities floated as an associated listed company. Earnings and assets reach record levels.

**1988 and 1989** - \$12 million offer made for J C Ludowici & Son. Rights Issue of 1 for 2. J C Ludowici shareholding sold for significant gain. In 1989

**1990** - Shareholding in London City increased to 32.1% and it increases its shareholding in UK Towles Plc to 40.2%

**1991** - Camelot Resources Limited joins Imperial Pacific.

**1993** – London City shareholding increased to 42.1% and Camelot Resources to 19%. Dividend of 7.5 cents a share.

**1995** – London City's bid for Towles completed and new local management installed. Camelot grows, based in Perth.

**1996** - Camelot Resources holding sold for a profit of \$1.0 million. London City share issue results in it becoming a 51% owned subsidiary. Takeover made for Gearhart Australia. Towles moves into losses.

**1997** - Gearhart shareholding sold for a good profit. Towles in serious state and London City sponsors appointment of receiver to Towles on 26 May 97.

**1999** - Group in recovery mode. Some funds and properties returned to group from UK. Camden land on way to re-zoning. Successful holding by London City in Holyman.

**2000** – London City reconstructed. Belmont's equity falls from 51% to 35%. Camden properties revalued.

**2001** – London City and Belmont Holdings return to ASX lists. Camden land increase in value. Finances enhanced.

**2002** -Agreement reached granting an option to major home-builder to purchase Camden land for over \$8.0 million.

**2004** -Spring Farm property sold for \$8.9 million. London City acquires and accepts offer for 19% of PICA.

**2005** - Spring Farm proceeds received. London City acquires 13.4% of CCI Holdings Limited. AFS Licence approved.

**2006** – AFS Licence of Imperial Pacific Asset Management activated and its key client turns in a successful year. London City now owns 15.1% of CCI Holdings Limited.

**2007** – London City sells its CCI holding via a merger of CCI with Bureau Veritas of France. Record earnings and assets. Invests in MainstreamBPO.

**2008** – London City and Belmont Holdings retain high liquidity in the light of difficult market conditions. London City acquires 9% cornerstone investment in Penrice Soda Holdings Limited.

**2010** – Group focuses on key investments, especially London City portfolio and troubled Penrice. Board attempt failed.

**2011** – Belmont Holdings changes name to Imperial Pacific Limited. Court success with Penrice. MainstreamBPO exposure reduced.

**2013 – 15** Research continues. Static investment approach. Penrice concerns pursued for London City.

**2016** – Net Assets enhanced materially.

# IMPERIAL PACIFIC LIMITED

ABN 65 000 144 561



## Proxy Form

**To: The Company Secretary  
Imperial Pacific Limited  
Level 4  
20 Loftus Street  
SYDNEY NSW 2000 or Email: [bet@iprimus.com.au](mailto:bet@iprimus.com.au)**

I/We..... of .....  
..... hereby appoint ..... of  
..... or in the  
event that no person is nominated above, the Chairman of the Meeting, as my/our proxy to vote for me/us at the  
Annual General Meeting of the company to be held at Level 4, 20 Loftus Street, Sydney NSW 2000 on Thursday  
26 October 2016 at 11.30 am and at any adjournment thereof in accordance with the respective instructions.

This proxy is to represent (proportion) .....of my/our voting rights. (Please complete if more than one proxy is being  
appointed, otherwise one proxy will be assumed). This proxy is to be used to vote in respect of the resolutions and, unless  
instructed, the proxy may vote as the proxyholder thinks fit. [Please mark as required.]

### Ordinary Business

	For	Against	Abstain
To adopt the Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect Mr. P.E.J. Murray a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect Mr. D.G. Butel a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

NB. IF YOU HAVE NOT DIRECTED YOUR PROXY HOW TO VOTE. If the Chairman of the meeting is your nominated proxy,  
or may be appointed by default, and you have not directed your proxy how to vote, the Chairman intends to vote "FOR" the  
Resolutions.

Signed by the said

.....  
(Name of Member) (Signature of Member)

Dated this ..... day of ..... , 2016

### Please Note:

1. If you mark "Abstain" you are directing your proxyholder not to vote on your behalf on a show of hands or a poll and your vote will not be counted in calculating the required majority.
2. Where the member is a natural person this proxy must be signed by the member personally or by a duly appointed attorney. Where the member is a corporation this proxy must be executed under the common seal of the corporation or signed by an attorney duly appointed under the common seal of the corporation.