



# IMPERIAL PACIFIC LIMITED

ABN 65 000 144 561

## ANNUAL REPORT

2020

**Imperial Pacific  
Asset Management  
Pty Limited**



*Incorporated in 1937 - 100% owned*

  
**LONDON CITY EQUITIES**  
LIMITED

*Incorporated in 1986 - 31% 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 2, 111 Harrington Street, The Rocks NSW on Wednesday 21 October 2020 at 11.30 am.

### Ordinary Business

1. To receive, consider and discuss the Directors' Report and Accounts for the year ended 30 June 2020 and payment of dividend.
2. To adopt the Remuneration Report for the year ended 30 June 2020 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 Butel are shown later.)

### Other

4. 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, 15 September 2020

### PROXIES

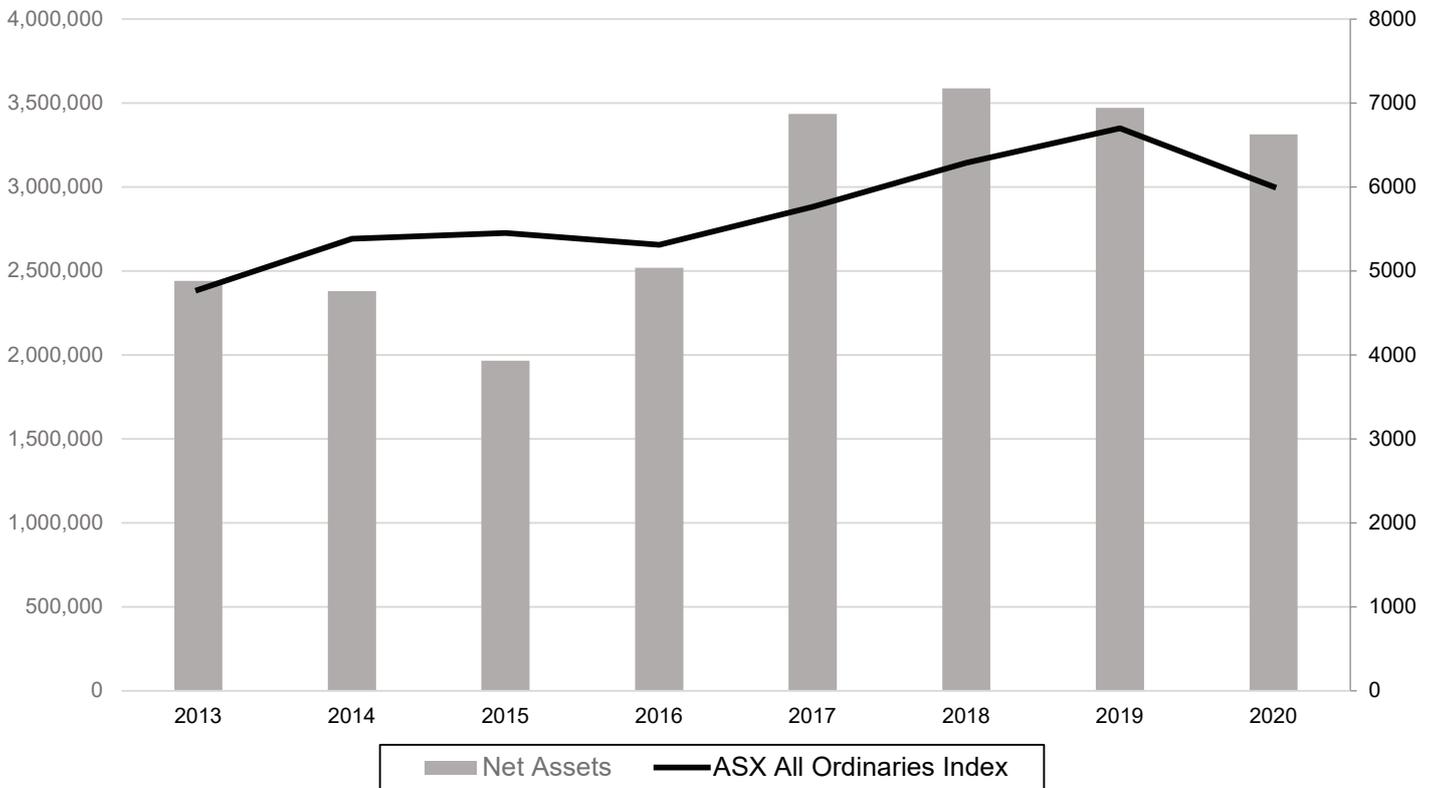
A member entitled to attend and vote is entitled to appoint no more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. A proxy need not be a member of the Company. Proxies must be deposited or sent 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

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## Net Asset Changes 2013 - 2020 (After Payment of dividends)





# IMPERIAL PACIFIC LIMITED

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## Key Features for 2019/2020

- **Good 1<sup>st</sup> half impacted in the 2<sup>nd</sup> half by worldwide Covid concerns**
- **Serious Covid repercussions avoided – only slight net worth reduction**
- **Higher dividend retained at 6.25 cents a share.**
- **Associate, London City, had a good year, despite litigation focus.**
- **Investment Portfolio increased again with comfortable purchases.**

## Corporate Directory

### Directors:

P. E. J. Murray BA, FCA, SA Finsia (Chairman of Directors)  
D. G. Butel MBA, BSc, Dip Bus Std, Dip Ed.  
N. E. Schafer BApp Econ

### Company Secretary:

L. J. Joseph BComm,

### Auditors

Cutcher & Neale, Chartered Accountants  
25 Bolton Street, Newcastle, NSW 2300

### Bankers

Westpac Banking Corporation

### Corporate and Registered Office:

Level 2, 111 Harrington Street, The Rocks NSW 2000  
Postal Address: PO Box R1414, Royal Exchange, NSW 1225  
Telephone: (02) 9247-9315

### Share Registrar

Registry Direct  
10 Exon Street, Brighton VIC 3186  
Telephone: (03) 9020 7934 or 1300 55 66 35

### Web-site:

[www.imperialpacific.com.au](http://www.imperialpacific.com.au)

### Stock Exchange

Australian Securities Exchange Limited  
(Home Exchange – Sydney (Code - "IPC"))  
20 Bridge Street, Sydney, NSW 2000



# IMPERIAL PACIFIC LIMITED

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## Chairman's Review of 2020

### **The Year – Net Worth down slightly after paying \$312,000 dividend**

Imperial Pacific's total share portfolio expanded again with both London City Equities appreciation and a 2% shareholding in Excelsior Capital acquired. While the investments showed great results at 31 December (and early March) the Covid-19 impact took away those early advances. However by 30 June and since Imperial Pacific's investments have avoided the serious declines, such as in retail and the travel sector. Our joint focus with London City on our case against Ernst & Young continues.

The ASX All Ordinaries Index fell 10% over the year from 6,699 to close at 6,001. We have all seen a continuation of low interest rates in Australia with the Reserve Bank's Cash Rate falling to the current 0.25%. Share prices, especially in companies seen as income producers such as property trusts have been reasonably resilient. Bank Hybrid market prices too. Local interest rates are unlikely to jump significantly this financial year.

### **Investment Portfolio enlarged**

Our 31% equity holding in **London City Equities Limited**, appreciated again, supported by its comfortable 6.5% shareholding in Fiducian Group – with compliments to the quality of Fiducian's governance and client policies. Legal action in the Supreme Court of NSW in relation to Ernst & Young has again been time consuming. The Court has ordered that parties complete discovery and mediation by 31 March 2021 prior to a full hearing. London City's funding has been supported by interest free advances from Imperial Pacific, pending its own capital raising. Imperial Pacific, London City and associates hold over 6% in **Excelsior Capital Limited**, an investment group that is present subject to a shareholder initiated EGM to appoint liquidators and wind up the company to realise undervalued assets.

### **Financials – Operating Results and Increased Dividend of 6.25 cents maintained**

Imperial Pacific's recent operating losses stem from low operating income rather than its costs which are amongst the lowest of listed companies. The indirect loss in Penrice impacted both our management fees and our dividends from London City over many years. However all this has to be offset with the solid performance of its investment portfolio. Executive time outlaid on the Penrice scene should add to future benefits. The group's fee income will rise this year, given the larger portfolio assets of London City managed by Imperial Pacific Asset Management Pty Limited.

### **Net Tangible Assets – \$1.07 at 30 June**

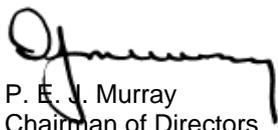
Net tangible assets at 30 June stood at \$3.3 million, or \$1.07 a share after paying a 6.25 cent fully franked dividend during the year. Since balance date Imperial Pacific's net asset position has appreciated moderately.

### **Other**

We still have aspirations to create a managed activist style Investment Fund. Regulatory and governance costs associated with such a venture are quite extensive. All this must be weighed up against what we believe are a number of investment opportunities that exist.

### **Capital Management – Additional equity raising important.**

The Directors are continuing to examine an equity rights issue alternatives to repay present interest free advances funding the company. We will keep shareholders informed on this.



P. E. J. Murray  
Chairman of Directors

15 September 2020



# IMPERIAL PACIFIC LIMITED

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## Statutory Directors' Report for the Year to 30 June 2020

Your Directors present their report on the Company and its controlled entities for the year ended 30 June 2020.

### 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 (31% 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. Past Chairman of Directors of Camelot Resources NL and CCI Holdings Limited. Director and Chief Operating Officer of London City Equities Limited. Past Director of Delany Foundation Limited. [Director of Imperial Pacific Limited since 1981]

**David Butel** – Independent Non Executive Director.

*Special Responsibility: Chair of Remuneration 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]

**Neil Schafer** – Independent Non Executive Director

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

Bachelor of Applied Economics

Mr. Schafer's background has been in the securities and banking industries for over thirty years. He has held senior positions in Funds Management, Banking, Financial Services and Corporate Advisory sectors over this period. Experienced in senior levels of corporate finance and business strategy. He is a Non-Executive Director of Clime Investment Management Limited and he holds Directorships in the Not-for-profit sector. [Director since March 2019]

## Statutory Directors Report (Cont'd)

### Directors and Officers (Cont'd)

**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 2018.]

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

|            | Ordinary Shares |
|------------|-----------------|
| PEJ Murray | 1,209,105       |
| DG Butel   | 36,800          |
| NE Schafer | 4,000           |

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 | 5                  | 5               | -                                    | 2*              | -                      | 2*              |
| D.G. Butel      | 5                  | 5               | 2                                    | 2               | 2                      | 2               |
| N. E. Schafer   | 5                  | 5               | 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.

### 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 20 of the financial statements and are also shown below:

|                 | Fees      | Super Contributions | Total     |
|-----------------|-----------|---------------------|-----------|
| Mr P.E.J.Murray | \$129,600 | -                   | \$129,600 |
| Mr D.G. Butel   | \$30,000  | \$2,850             | \$32,850  |
| Mr.N.E. Schafer | \$30,000  | \$2,850             | \$32,850  |

### 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 over the year. It continues to hold a 6.5% shareholding in Fiducian Group Limited. Together with London City and associates, the Company owns 6% of Excelsior Capital Limited, acquired during the year. In conjunction with London City and others, the Company continues its legal action in the Supreme Court of NSW against Ernst & Young, former auditors of Penrice Soda Holdings Limited.

### Results and Dividend Status

Imperial Pacific's net asset base fell slightly over the year despite enhanced portfolio values. The operating loss for the year came in lower \$141,785 (loss \$189,204 in 2019). The Directors have declared the payment of a dividend of 6.25 cents per share, fully franked, for 2020.

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

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

The Board's prime objective during the year was the longer term enhancement of group assets. In this regard special attention was given to the London City associate over the year.

Group portfolio values rose slightly but were impacted adversely by direct costs and executive time devoted to the legal case against Ernst & Young, a situation where London City is endeavouring to recover sums relating to its book losses of \$6.7 million incurred by investing in Penrice in 2008 and 2009. This matter continues and an Expert Forensic Accountants Report has provided an opinion that London City's damages amount to \$11.5 million. The Court has ordered parties to conclude discovery and mediation by 31 March 2021, prior to a full hearing.

Imperial Pacific's portfolio levels have been increased over the year supported by non interest bearing advances granted by a key shareholder, Mr P.E.J. Murray – pending the resolution of equity capital decisions. On the same basis Imperial Pacific has advanced non interest bearing sums to London City Equities Limited.

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

There have been no significant changes in the state of affairs, other than those already explained.

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

Directors have declared the payment of a fully franked dividend of 6.25 cents per share for 2020. . Excelsior Capital Limited, 6% owned by an associated group is presently subject to a shareholder call for an EGM to vote to liquidate the company and return funds to shareholders. The shares have risen some 30% since June. Directors are also aware of ongoing Penrice related legal action, especially the recent Court orders that the parties complete discovery and mediation by 31 March 2021

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

Directors intend to focus on enhancing the values of Imperial Pacific's direct and indirect assets. Imperial Pacific and its AFS licensed operator Imperial Pacific Asset Management Pty Limited will continue to be very actively involved in the major legal proceedings taking place in the Supreme Court of NSW against Ernst & Young. Although an Expert Forensic Accountant is of the opinion the London City's damages are \$11.5 million, at this date there is insufficient information to estimate the extent of either benefits or costs that might arise from this action. Directors are monitoring the events at Excelsior Capital Limited and considering an appropriate equity rights issue for Imperial Pacific.

Otherwise, 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 respect of the company**

The Group is involved in active legal proceedings in the Supreme Court of NSW against Ernst & Young. It is providing substantial executive time to the matter. At this date there is insufficient information to estimate the extent of either benefits or costs that might arise from this action.

### **Indemnification of Officers**

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. During the year Imperial Pacific paid a premium under a combined policy of insurance for liability of directors and officers of the group as permitted by the Corporations Act 2001. In accordance with normal commercial practice, disclosure of details of the insurance cover and premium is prohibited by the terms of the policy.

## 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.

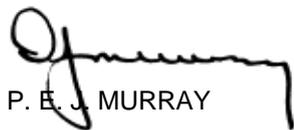
Details of the non-audit services provided by the auditor are set out at Note 21 of the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means the auditor independence was not compromised.

### Auditor's Independence Declaration

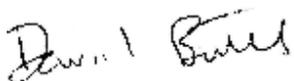
A copy of the auditor's declaration under Section 307C in relation to the audit for the financial year is provided later in this report. .

Signed in accordance with a resolution of the Directors. Dated at Sydney this 15th day of September, 2020.

On behalf of the Board,



P. E. J. MURRAY



D. G. BUTEL



# IMPERIAL PACIFIC LIMITED

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## Corporate Governance Statement – 30 June 2020

Imperial Pacific has noted the “principles and recommendations” of the ASX Corporate Governance Council. 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 6 September 2020.

### ***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 an entity such as Imperial Pacific to add value and enhance shareholders’ wealth. These include Financial and Commercial acumen, Executive Leadership, Strategy, Investment, Governance, Tertiary or equiv qualification, Merger and Acquisitions, Taxation, Risk Management and Public Listed Company experience. 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. 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 Schafer 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 Butel (Chairman) and Mr Schafer. 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 2020

|   | <i>Notes</i> | <b>2020</b><br>\$       | <b>2019</b><br>\$       |
|---|--------------|-------------------------|-------------------------|
| <b>Revenue from ordinary activities</b>   | 3            | 201,218                 | 114,724                 |
| <b>Less:</b>  |              |                         |                         |
| Expenses from ordinary activities   | 4            | (357,963)               | (300,787)               |
| Share of net profit of associate accounted<br>for by using the equity accounting method                                     | 3            | <u>14,960</u>           | <u>(3,141)</u>          |
| <b>Profit from ordinary activities before income tax</b>  |              | (141,785)               | (189,204)               |
| Income tax credit (expense)   | 5            | <u>-</u>                | <u>``</u>               |
| <b>Net Profit (Loss) attributable to members of Imperial<br/>Pacific Limited</b>  |              | <u><b>(141,785)</b></u> | <u><b>(189,204)</b></u> |
| <b>Earnings per share:</b>  |              |                         |                         |
| Earnings per share from profit from continuing<br>operations attributable to the ordinary equity<br>holders of the company. |              |                         |                         |
| Basic and diluted earnings per share (Cents)  | 33           | (4.59)                  | (6.13)                  |

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 2020

|   | <i>Notes</i> | 2020<br>\$       | 2019<br>\$       |
|---|--------------|------------------|------------------|
| <b>Profit (Loss) for Year</b>   |              | <b>(141,785)</b> | <b>(189,204)</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: | 17           | 176,094          | 266,480          |
| <b>Total Other Comprehensive Income (Expense)</b>   |              | <b>176,094</b>   | <b>266,480</b>   |
| <b>Total Comprehensive Income (Expense) for the year for equity holders</b>                       |              | <b>34,309</b>    | <b>77,276</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 2020

|                                       | Notes | 2020<br>\$       | 2019<br>\$       |
|---------------------------------------|-------|------------------|------------------|
| <b>Current assets</b>                 |       |                  |                  |
| Cash and cash equivalents             | 6     | 45,898           | 34,062           |
| Receivables                           | 7     | 981,512          | 511,075          |
| <b>Total current assets</b>           |       | <b>1,027,410</b> | <b>545,137</b>   |
| <b>Non-current assets</b>             |       |                  |                  |
| Investment - Portfolio                | 10    | 694,450          | 641,062          |
| Investment - Associated Corporation   | 10    | 3,445,268        | 3,328,548        |
| Right-of-Use Asset                    | 9     | 68,840           |                  |
| Tax Asset                             | 8     | 65,000           | 60,000           |
| <b>Total non-current assets</b>       |       | <b>4,273,558</b> | <b>4,029,610</b> |
| <b>Total assets</b>                   |       | <b>5,300,968</b> | <b>4,574,747</b> |
| <b>Current liabilities</b>            |       |                  |                  |
| Trade and other payables              | 11    | 1,915,971        | 1,100,986        |
| Lease Liability                       | 12    | 49,951           | -                |
| Tax liabilities                       | 13    | -                | 2,000            |
| <b>Total current liabilities</b>      |       | <b>1,965,922</b> | <b>1,102,986</b> |
| <b>Non Current liabilities</b>        |       |                  |                  |
| Lease Liability                       | 14    | 21,924           | -                |
| <b>Total current liabilities</b>      |       | <b>21,924</b>    | <b>-</b>         |
| <b>Total liabilities</b>              |       | <b>1,987,846</b> | <b>1,102,986</b> |
| <b>Net assets</b>                     |       | <b>3,313,122</b> | <b>3,471,761</b> |
| <b>Equity</b>                         |       |                  |                  |
| Share Capital                         | 15    | 1,692,585        | 1,692,585        |
| Reserves                              | 17    | 5,149,442        | 4,973,348        |
| Retained Profits (Accumulated losses) | 17    | (3,528,905)      | (3,194,172)      |
| <b>Total equity</b>                   |       | <b>3,313,122</b> | <b>3,471,761</b> |

The accompanying notes form part of these financial statements.

# IMPERIAL PACIFIC LIMITED

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## Consolidated Statement of Changes in Equity for the Year Ended 30 June 2020

|   | <i>Notes</i> | 2020<br>\$       | 2019<br>\$       |
|---|--------------|------------------|------------------|
| <b>Total Equity at the beginning of the year</b>  |              | <b>3,471,761</b> | <b>3,587,433</b> |
| <b>Transactions with Equity holders<br/>in their capacity as equity holders:</b>          |              |                  |                  |
| <b>Contribution to new Equity, after costs</b>  |              | -                |                  |
| Dividends provided or paid  |              | (192,948)        | (192,948)        |
| <b>Total transactions with Equity holders<br/>in their capacity as equity holders:</b>    |              | <b>(192,948)</b> | <b>(192,948)</b> |
| <b>Income and Expense for Year:</b>   |              |                  |                  |
| Profit (Loss) for Year  |              | <b>(141,785)</b> | <b>(189,204)</b> |
| <b>Other Comprehensive Income for the year:</b>   |              |                  |                  |
| Revaluation of Investment Portfolio   | 17           | 2,464,185        | 2,211,612        |
| Provision for Tax on unrealised gains   | 17           | (739,737)        | (608,193)        |
| Reduced by Deferred Tax Asset   | 17           | 55,066           | 41,666           |
| Less:   |              |                  |                  |
| - Reversal of Revaluation Last Year   | 17           | (2,211,612)      | (1,969,324)      |
| - Reversal of Deferred Tax Provision Last Year  | 17           | 608,192          | 590,719          |
|   |              | <b>176,094</b>   | <b>266,480</b>   |
| <b>Total recognised income (including unrealised<br/>gains) and expenses for the Year</b> |              | <b>(158,639)</b> | <b>(115,672)</b> |
| <b>Total Equity at the end of the year</b>  |              | <b>3,313,122</b> | <b>3,471,761</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 2020

|  | <i>Notes</i> | <b>2020</b>     | <b>2019</b>      |
|--|--------------|-----------------|------------------|
|  |              | <b>\$</b>       | <b>\$</b>        |
| <b>Cash flows from operating activities</b>                                    |              |                 |                  |
| Receipts from Customers<br>(inclusive of goods and services tax)               |              | 120,294         | 43,266           |
| Cash paid to suppliers and management<br>(inclusive of goods and services tax) |              | (205,739)       | (321,599)        |
| Interest Received  |              | 137             | 853              |
| Dividends Received   |              | 123,928         | 112,136          |
| Licence Fee Rental Received  |              | 25,203          |                  |
| Government Grant   |              | 10,000          |                  |
| Trading Investments - Purchased  |              | (18,378)        |                  |
| Trading Investments - Sold   |              | 20,967          |                  |
| Net Cash provided by (used in)<br>operating activities                         | 32           | <b>76,412</b>   | <b>(165,344)</b> |
| <b>Cash flows from investing activities</b>                                    |              |                 |                  |
| Purchase of investments  |              | (91,336)        | (379,922)        |
| Proceeds from sale of investments  |              | -               | -                |
| Net Cash provided by (used in) investing activities                            |              | <b>(91,336)</b> | <b>(379,922)</b> |
| <b>Cash flows from financing activities</b>                                    |              |                 |                  |
| Receipts (Payments) - related companies  |              | (493,642)       | (210,196)        |
| Advances - related party   |              | 713,350         | 840,301          |
| Dividends Paid   |              | (192,948)       | (192,948)        |
| Net Cash used in financing activities  |              | <b>26,760</b>   | <b>437,157</b>   |
| Net increase (decrease) in cash held   |              | 11,836          | (108,109)        |
| Cash at beginning of the financial year  |              | 34,062          | 142,171          |
| Cash at end of the financial year  | 6            | <b>45,898</b>   | <b>34,062</b>    |

# IMPERIAL PACIFIC LIMITED

Notes to the financial statements - 30 June 2020



## 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 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.

In the application of the Company's accounting policies described above, the Directors are required to evaluate estimates and judgments that may be incorporated into the financial statements. Estimates and associated assumptions are based on historical experience and assume a reasonable expectation of future events. Actual results may differ from these estimates.

There are no estimates or judgments that have a material impact on the Company's financial results for the year ended 30 June 2020. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgments are required in respect to their valuation. 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 28 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 31.15% owned London City Equities Limited are included by adopting the equity method of accounting (equity accounted as a 31.1% owned entity in 2019).

### (c) Investments: Controlled Entities & Associates

The Group had 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 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 31.15% equity ownership, as one other shareholder controls over 46.0%. It is an associated company.

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

# IMPERIAL PACIFIC LIMITED

Notes to the financial statements - 30 June 2020



## **(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. A tax rate of 27.5% has been adopted (27.5% in 2019).

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 19 of the financial statements.

## **(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 meeting the relevant performance obligations.

Management revenue is recognised on an accruals basis.

**(m) Leases**

The reporting of leases applicable to the company's office premises has changed from 1 July 2019 under new AASB16 requirements that set out a comprehensive model for identifying and measuring lease matters including lease term obligations (Current and Non-Current), the recognition of the lease as a right-of-use (ROU) asset, an funding cost and depreciation of the right-of-use asset. These items replace what the company deemed "rent" in the past and are reflected in Note 24 of the financial report.

The lease liability is measured at the present value of the lease payments still to be paid, discounted at the interest rate implicit in the lease. Lease payments included in the measurement of the lease liability include fixed lease payments less any lease incentive, amounts expected to be payable by the lessee under residual values guarantees, exercise of options and penalties for terminating the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made, initial direct costs, less accumulated depreciation and impairment losses, if any.

The Group adopted the new Standard for 2020 but did not restate prior year amounts.

**(n) New Standards and interpretations not yet adopted.**

The Australian Accounting Standards Board has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The reported results and position of the Company will not change on adoption of these pronouncements as they do not result in any changes to the Company's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements. The Group does not intend to adopt any of these pronouncements before their effective date. As stated above, the Group adopted ASSB 16 for the year ended 30 June 2020.

**(o) Financial Statements Approval**

The financial statements were authorised for issue by the Board of Directors on 19 August 2020.

**Note 2. Segmental information**

During 2019/20 the economic entity acted mainly in the investment and financial services sectors in Australia.

|   | Investment | Financial Services | Consolidated |
|---|------------|--------------------|--------------|
| <b>2020</b>   |            |                    |              |
| Revenue   | \$         | \$                 | \$           |
| Investment /other revenue   | 48,053     | 153,165            | 201,218      |
| Segment Result  |            |                    |              |
| Profit (Loss) after Tax   | (57,241)   | (84,545)           | (141,786)    |
| Segment Assets  | 5,185,661  | 115,307            | 5,300,968    |
| Segment Liabilities   | (957,986)  | (1,029,860)        | (1,987,846)  |
| Net cash inflow from operating activities   | -          | (180,999)          | (180,999)    |
| Share of net profits (losses) of equity accounted associates                                  | 14,960     | -                  | 14,960       |
| Carrying amount of investment in Associates accounting for using the equity accounting method | 3,445,268  | -                  | 3,445,268    |
| <b>2019</b>   |            |                    |              |
| Revenue   | \$         | \$                 | \$           |
| Investment /other revenue   | 15,162     | 99,562             | 114,724      |
| Segment Result  |            |                    |              |
| Profit (Loss) after Tax   | (78,215)   | (110,989)          | (189,204)    |
| Segment Assets  | 4,519,979  | 54,768             | 4,574,747    |
| Segment Liabilities   | (550,493)  | (552,493)          | (1,102,986)  |
| Net cash inflow from operating activities   | 15,656     | (180,999)          | (165,343)    |
| Share of net profits (losses) of equity accounted associates                                  | (3,141)    | -                  | (3,141)      |
| Carrying amount of investment in Associates accounting for using the equity accounting method | 3,328,548  | -                  | 3,328,548    |

**IMPERIAL PACIFIC LIMITED**  
Notes to the financial statements - 30 June 2020



| <b>Note 3. Revenue</b>                                   | <b>2020</b>    | <b>2019</b>    |
|--|----------------|----------------|
| <b>From continuing operations</b>                        | \$             | \$             |
| Dividends Received                                       | 26,948         | 14,304         |
| Interest Received  | 138            | 858            |
| Management Fees Received:                                |                |                |
| - Base Management Fee                                    | 117,962        | 99,562         |
| - Performance Fee  | -              | -              |
| Licence Fee Revenue - Premises                           | 25,203         | -              |
| Sales - Trading Investments                              | 20,967         | -              |
| Other  | 10,000         | -              |
| <b>Total Revenue</b>                                     | <b>201,218</b> | <b>114,724</b> |
| <b>Share of net profit (loss) of associate accounted</b> | <b>14,960</b>  | <b>(3,141)</b> |

**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 21)                       | (24,000)         | (24,800)         |
| Depreciation re Lease (Note 24)               | (48,593)         | -                |
| Directors fees (Note 20)                      | (60,000)         | (61,500)         |
| Directors superannuation (Note 20)            | (5,700)          | (5,842)          |
| Interest - re Lease (Note 24)                 | (4,849)          | -                |
| Professional fees - director related          | (129,600)        | (126,960)        |
| Rental expense on operating leases            | -                | (27,243)         |
| Other Expenses                                | (66,843)         | (54,442)         |
| <b>Total Operating Expenses</b>               | <b>(339,585)</b> | <b>(300,787)</b> |
| Cost of Trading Investments Sold              | (18,378)         | -                |
| <b>Net Operating Profit (Loss) before Tax</b> | <b>(141,785)</b> | <b>(189,204)</b> |

**(b) Revenue and net gains**

|  |         |        |
|--|---------|--------|
| Management fee - associated company - Base fee | 117,962 | 99,562 |
|--|---------|--------|

**Note 5. Income Tax Expense**

(a) The components of income tax expense comprise:

|             |   |   |
|-------------|---|---|
| Current Tax | - | - |
|-------------|---|---|

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

|  |           |           |
|--|-----------|-----------|
| Profit (Loss) from ordinary activities before income tax | (141,785) | (189,204) |
| Income tax credit calculated at 27.5%                    | 38,991    | 52,031    |
| Plus (Less): Tax Effect of :                             |           |           |
| - Rebatable fully franked dividends                      | (38,991)  | (52,031)  |
| Income tax benefit (expense)                             | -         | -         |

(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 | (76,479) | 24,192 |
|---|----------|--------|

(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   | 1,070,000 | 930,000 |
| 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 2020



|   | 2020             | 2019             |
|---|------------------|------------------|
| <b>Note 6. Cash and Cash Equivalents</b>  |                  |                  |
| Cash at Bank and on Hand  | \$<br>45,898     | \$<br>34,062     |
|   | <u>45,898</u>    | <u>34,062</u>    |
| <b>Note 7. Current assets - Receivables</b>   |                  |                  |
| Other Debtors   | 41,877           | 51,362           |
| Amounts receivable from:<br>Associated Company  | 939,635          | 459,713          |
|   | <u>981,512</u>   | <u>511,075</u>   |
| <b>Note 8. Non current assets - Tax</b>   |                  |                  |
| Current Tax Asset   | 65,000           | 60,000           |
|   | <u>65,000</u>    | <u>60,000</u>    |
| <b>Note 9. Non current assets - Right-to-Use Asset</b>  |                  |                  |
| Right to Use Asset - Lease  | 68,840           | -                |
|   | <u>68,840</u>    | <u>-</u>         |
| <b>Note 10. Non current assets - Investment Portfolio</b>   |                  |                  |
| <b>Listed investments</b>   |                  |                  |
| Shares in other corporations - Listed - at Market Value   | 663,516          | 602,369          |
| Shares in other corporations - Unlisted - at Market Value   | 30,934           | 38,693           |
|   | <u>694,450</u>   | <u>641,062</u>   |
| Shares in associated corporations - at fair value   | 3,445,268        | 3,328,548        |
|   | <u>3,445,268</u> | <u>3,328,548</u> |
| <b>Note 11. Current Liabilities - Payables</b>  |                  |                  |
| Directors or their Director Related Entities  | 1,837,730        | 981,820          |
| Other Creditors   | 78,241           | 119,166          |
|   | <u>1,915,971</u> | <u>1,100,986</u> |
| <b>Note 12. Current Liabilities - Lease Liability</b>   |                  |                  |
| Least Liability - Premises  | 49,951           | -                |
|   | <u>49,951</u>    | <u>-</u>         |
| <b>Note 13. Current Liabilities - Tax Liabilities</b>   |                  |                  |
| Income Tax  | -                | 2,000            |
|   | <u>-</u>         | <u>2,000</u>     |
| <b>Note 14. Non-Current Liabilities - Lease Liability</b>   |                  |                  |
| Lease Liability - Premises  | 21,924           | -                |
|   | <u>21,924</u>    | <u>-</u>         |
| <b>Note 15. Share Capital</b>   |                  |                  |
| <b>(a) Share capital</b>  | \$               | \$               |
| 3,087,171 (2019: 3,087,171)<br>fully paid ordinary shares   | 1,692,585        | 1,692,585        |
|   | <u>1,692,585</u> | <u>1,692,585</u> |
| <b>(b) Movement in ordinary share capital:</b>  |                  |                  |
| Balance at beginning of accounting period   | 1,692,585        | 1,692,585        |
| Movements during the year   | -                | -                |
| Balance at reporting date   | <u>1,692,585</u> | <u>1,692,585</u> |
| <b>(c) Movement in ordinary share numbers:</b>  |                  |                  |
| Balance at beginning of accounting period   | 3,087,171        | 3,087,171        |
| Movements during the year   | -                | -                |
| Balance at reporting date   | <u>3,087,171</u> | <u>3,087,171</u> |
| <b>(d) Ordinary Shares</b>  |                  |                  |
| Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number and amounts paid on the shares. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll is entitled to one vote. |                  |                  |

# IMPERIAL PACIFIC LIMITED

Notes to the financial statements - 30 June 2020



## Note 16. 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. The company is presently examining equity rights issue scenarios to raise capital.

## Note 17. Reserves and retained profits

### (a) Reserves - as per below

|                                | 2020             | 2019             |
|--------------------------------|------------------|------------------|
|                                | \$               | \$               |
| Realised Capital Gains Reserve | 2,848,050        | 2,848,050        |
| Unrealised Revaluation Reserve | 2,301,392        | 2,125,298        |
|                                | <u>5,149,442</u> | <u>4,973,348</u> |

### Realised Capital Gains Reserve

|  |                  |                  |
|--|------------------|------------------|
| Balance at 1 July 2019                         | 2,848,050        | 2,848,050        |
| Realisation Gain (Loss) - Investment Portfolio | -                | -                |
| Less Provision for Tax on Realised Losses      | -                | -                |
| Balance at 30 June 2020                        | <u>2,848,050</u> | <u>2,848,050</u> |

### Unrealised Revaluation Reserve

|   |                  |                  |
|---|------------------|------------------|
| Balance at 1 July 2019                      | 2,125,298        | 1,858,818        |
| Add Back Previous Revaluation of Portfolio  | (2,211,612)      | (1,969,324)      |
| Add Back previous Provision for Tax         | 608,192          | 590,719          |
| Revaluation of Investment Portfolio         | 2,464,185        | 2,211,612        |
| Less Provision for Tax on Unrealised Gains  | (739,737)        | (608,193)        |
| Additional Tax Reduction due to Past Losses | 55,066           | 41,666           |
| Balance at 30 June 2020                     | <u>2,301,392</u> | <u>2,125,298</u> |

### (b) Retained Profits / (Accumulated losses)

|  |                    |                    |
|--|--------------------|--------------------|
| Retained Earnings (Accumulated losses)                                   |                    |                    |
| - beginning of the financial year  | (3,194,172)        | (2,812,020)        |
| Net gain (loss) loss attributable to members of Imperial Pacific Limited | (141,785)          | (189,204)          |
| Dividends paid   | (192,948)          | (192,948)          |
| Balance at 30 June 2020  | <u>(3,528,905)</u> | <u>(3,194,172)</u> |

### (c) Net Realised and Unrealised Gains in the Period

|                        |                |                |
|------------------------|----------------|----------------|
| Realised Gain (Loss)   | -              | -              |
| Unrealised Gain (Loss) | 176,094        | 266,480        |
|                        | <u>176,094</u> | <u>266,480</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 available for the payment of cash dividends 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

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|                                   | 2020                  | 2019      |
|-----------------------------------|-----------------------|-----------|
|                                   | \$                    | \$        |
| <b>Note 18. Dividends</b>         |                       |           |
| <b>(a) Dividends Payable</b>      |                       |           |
| Dividend paid - Fully Franked     | 11 Oct 2019 (192,948) | (192,948) |
| Dividend proposed - Fully Franked | 12 Oct 2020 (192,948) | (192,948) |

## (b) Franking credits

|   |           |           |
|---|-----------|-----------|
| Franking credit tax component available for dividends in future years | 450,000   | 446,726   |
| Fully franked dividends possible at tax rate of 27.5%                 | 1,186,364 | 1,177,732 |

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 19. 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).

| 2020 Allocation                     | Level 1        | Level 2        | Level 3        | Total        |
|-------------------------------------|----------------|----------------|----------------|--------------|
|                                     | \$             | \$             | \$             | \$           |
| <b>Financial assets</b>             |                |                |                |              |
| Cash & cash equivalents             | 45,898         |                |                | 45,898       |
| Receivables                         |                | 981,512        |                | 981,512      |
| Portfolio Investments               | 663,516        | 30,934         |                | 694,450      |
| Investment - Associated Corporation |                | 3,445,268      |                | 3,445,268    |
| <b>Financial liabilities</b>        |                |                |                |              |
| Other creditors                     | 1,915,971      |                |                | 1,915,971    |
| <b>2019 Allocation</b>              | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|                                     | \$             | \$             | \$             | \$           |
| <b>Financial assets</b>             |                |                |                |              |
| Cash & cash equivalents             | 34,062         |                |                | 34,062       |
| Receivables                         |                | 511,075        |                | 511,075      |
| Portfolio Investments               | 602,369        | 38,693         |                | 641,062      |
| Investment - Associated Corporation |                | 3,328,548      |                | 3,328,548    |
| <b>Financial liabilities</b>        |                |                |                |              |
| Other creditors                     | 1,100,986      |                |                | 1,100,986    |

### 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.

# IMPERIAL PACIFIC LIMITED

Notes to the financial statements - 30 June 2020



## Note 19. 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.

|                            | ----- 2020 -----                      |                                       | ----- 2019 -----                      |                                       |
|----------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|                            | 10.0%<br>increase in<br>market prices | 10.0%<br>decrease in<br>market prices | 10.0%<br>increase in<br>market prices | 10.0%<br>decrease in<br>market prices |
|                            | \$                                    | \$                                    | \$                                    | \$                                    |
| Impact on Profit (Pre tax) | 11,153                                | (11,153)                              | 11,257                                | (11,257)                              |
| Impact on Equity (Pre tax) | 413,972                               | (413,972)                             | 396,961                               | (396,961)                             |

### (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.

|                            | ----- 2020 -----                        |   | ----- 2019 -----                        |   |
|----------------------------|---|---|---|---|
|                            | 100 bps<br>increase in<br>Interest Rate | 100 bps<br>decrease in<br>Interest Rate | 100 bps<br>increase in<br>Interest Rate | 100 bps<br>decrease in<br>Interest Rate |
|                            | \$                                      | \$                                      | \$                                      | \$                                      |
| Impact on profit (pre-tax) | 459                                     | (459)                                   | 341                                     | (341)                                   |

### (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.

|   | 2020   | 2019   |
|---|--------|--------|
| Cash at bank and short-term bank deposits | \$     | \$     |
| - Credit Rating (Short) AA -              | 45,898 | 34,062 |

#### (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.

# IMPERIAL PACIFIC LIMITED

Notes to the financial statements - 30 June 2020



## Note 19. 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 formal external borrowings, although it has a temporary related party director advance of \$1,837,000 at 30 June 2020 that carries no interest and a 90 day repayment notice (pending the completion of an equity raising in the near future). Imperial Pacific manages maturity balances of deposits, marketable securities and cash flows carefully. The Group's management and its Board actively review the 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.

|               | 2020         | 2019         |
|---------------|--------------|--------------|
| To 30 days    | \$ 87,775    | \$ 511,075   |
| 90 - 120 days | \$ 939,635   | -            |
| Long Term     | \$ 4,213,558 | \$ 3,969,610 |

### (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.

|               | 2020      | 2019    |
|---------------|-----------|---------|
| To 30 days    | 78,241    | 119,166 |
| 90 - 120 days | 1,887,681 | 981,820 |
| Long Term     | 21,924    | -       |

NOTE: Of the 2020 financial liabilities due within 90 days, \$1,837,000 has been provided by a Director pending the Company pursuing and completing an equity issue to strengthen the financial structure. The Director has provided written assurances that the sums will be interest free and not be repayable before 31 January 2021.

## Note 20. 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 DG Butel     | - Director - Non-Executive |
| Mr NE Schafer   | - Director - Non-Executive |

| (b) Parent Entity Directors' Remuneration | Primary                    | Post                         | Other      | Total   |
|---|----------------------------|------------------------------|------------|---------|
| 2020                                      | Salary, Fees & Commissions | Superannuation Contributions | Employment |         |
| Mr P E J Murray                           | 129,600                    | -                            | -          | 129,600 |
| Mr D G Butel                              | 30,000                     | 2,850                        | -          | 32,850  |
| Mr N E Schafer                            | 30,000                     | 2,850                        | -          | 32,850  |
|   | 189,600                    | 5,700                        | -          | 195,300 |
| 2019                                      |                            |                              |            |         |
| Mr P E J Murray                           | 126,960                    | -                            | -          | 126,960 |
| Mr D A Sutherland                         | 22,500                     | 2,138                        | -          | 24,638  |
| Mr D G Butel                              | 30,000                     | 2,850                        | -          | 32,850  |
| Mr N E Schafer                            | 9,000                      | 855                          | -          | 9,855   |
|   | 188,460                    | 5,843                        | -          | 194,303 |

(c) Shareholdings

| Number of Shares held by Parent Entity Directors / Specified Executives | Balance   | Received as Remuneration | Options Exercised | Net change * | Balance   |
|---|-----------|--------------------------|-------------------|--------------|-----------|
|   | 1.07.19   |                          |                   |              | 30.06.19  |
| Mr P E J Murray   | 1,207,605 | -                        | -                 | 1,500        | 1,209,105 |
| Mr D G Butel  | 36,800    | -                        | -                 | -            | 36,800    |
| Mr N E Schafer  | 4,000     | -                        | -                 | -            | 4,000     |
|   | 1,248,405 | -                        | -                 | 1,500        | 1,249,905 |

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

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## Note 20. 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, if any.
3. The company has a Remuneration Committee in operation.

## Note 21. Auditor's Remuneration

|  | 2020   | 2019   |
|--|--------|--------|
|  | \$     | \$     |
| Remuneration for audit or review of the financial reports of the parent or any entity in the economic entity |        |        |
| Cutcher & Neale - Assurance services   | 19,000 | 19,800 |
| Remuneration for other services:   |        |        |
| Cutcher & Neale - Other compliance services  | 5,000  | 5,000  |
| Total  | 24,000 | 24,800 |

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 22. Legal Matter - Ernst & Young

Legal action has taken place with Penrice Soda Holdings Limited ("Penrice") since 2010. On 31 July 2014 liquidators were appointed over Penrice and the operations closed. London City Equities, Imperial Pacific and others in 2019 took legal proceedings in Supreme Court of NSW by lodging a Statement of Claim against Ernst & Young, former auditor of Penrice, seeking recompense. Following a Court hearing on 29 March 2019 Justice Fullerton handed down on 1 August 2019 her judgment that London City's Statement of Claim be accepted and that there was a tenable case on the question of duty of care owed to shareholders altering their behaviour on the basis of EY's conduct as auditors. A further Statement of Claim was served on EY on 23 April 2020 and a Defence since received from that firm. Proceedings continue. London City has announced that an Expert Forensic Accountant has formally reported that damages suffered by London City are approximately \$11.5 million. Court recently ordered that "discovery" and mediation be pursued before 31 March 2021. At this date there is insufficient informaton at this date to estimate the extent of future benefit or costs that may arise.

## Note 23. Contingent liabilities

Directors report that the legal action taking place regarding Ernst & Young may carry some contingent cost liabilities, together with minor bank guarantee arrangements regarding office rentals. Otherwise, the Directors are not aware of any contingent liabilities that may impact on the company.

## Note 24. 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 and recognised as liabilities, payable

|  |        |        |
|--|--------|--------|
| Not later than one year                            | 49,951 | 25,203 |
| Between One and Two Years                          | 21,924 | 26,212 |
| Later than Two Years but not later than Five Years |        | 11,099 |
|  | 71,875 | 51,415 |

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

### (c) Impact of AASB 16: Leases on the Group:

|  |          |   |
|--|----------|---|
| Opening balance lease liability recognition at 1 July 2019 | 117,433  | - |
| Opening right-of-use assets at 1 July 2019                 | 117,433  | - |
| Lease liability balance at 30 June 2020                    | 71,875   | - |
| Right-of-use assets at 30 June 2020                        | 68,840   | - |
| Cost - Interest component                                  | (4,849)  | - |
| Cost - Depreciation component                              | (48,583) | - |



**Note 25. Employee entitlements**

There is no pension scheme within the immediate group entities as at 30 June 2020. The company has no formal employees.

**Note 26. 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 D.G. Butel and Mr N.E. Schafer..

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

**Remuneration**

Information on remuneration of directors is disclosed in Note 20.

**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:

|   | <b>2020</b> | <b>2019</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| Management fee revenue                                |             |             |
| Associated corporation - London City Equities Limited | 117,962     | 99,562      |

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

|  |           |           |
|--|-----------|-----------|
| Current payables   |           |           |
| Director related advance - PEJ Murray - interest free - see Note 11. | 1,837,730 | (981,820) |
| Current receivables  |           |           |
| Associated entity (intercompany balance) - interest free             | 939,635   | 459,713   |

Each Director also received director fee remuneration from the associated corporation, London City Equities Limited, based on \$30,000 each per annum.

**Note 27. 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 ----- |             |
|--|---------------------------|-------------|
|  | <b>2020</b>               | <b>2019</b> |
| <i>(a) Balance Sheet</i>   |                           |             |
| Current Assets   | 124,686                   | 93,580      |
| Non current Assets   | 6,515,985                 | 6,470,517   |
| Total Assets   | 6,640,671                 | 6,564,097   |
| Current Liabilities  | (4,130,866)               | (3,680,371) |
| Non Current Liabilities  | (21,924)                  | -           |
| Total Liabilities  | (4,152,790)               | (3,680,371) |
| Net Assets   | 2,487,881                 | 2,883,726   |
| <i>(b) Shareholders Equity</i>   |                           |             |
| Issued Capital   | 1,692,585                 | 1,692,585   |
| Capital Profits Reserve  | 2,647,973                 | 2,647,974   |
| Unrealised Revaluation Reserve   | 901,697                   | 988,105     |
| Retained Profits (Accumulated Losses)  | (2,754,374)               | (2,444,938) |
|  | 2,487,881                 | 2,883,726   |
| <i>(c) Profit and Loss Account</i>   |                           |             |
| Total Income   | 220,443                   | 171,036     |
| Total Expenses   | (336,932)                 | (298,140)   |
| Net Profit (Loss) Before Tax   | (116,489)                 | (127,104)   |
| Tax Credit (Expense)   | -                         | -           |
| Net Profit (Loss) after Tax  | (116,489)                 | (127,104)   |
| <i>(d) Contingent Liabilities</i>  |                           |             |
| The parent company has no known contingent liabilities.  |                           |             |
| <i>(e) Contractual Commitments</i>   |                           |             |
| As stated in Note 24 the parent company has office leasing liability \$71,875 at 2020 and \$51,415 in 2019. There are no capital purchase commitments. |                           |             |

# IMPERIAL PACIFIC LIMITED

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## Note 28. 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 |           |
|---|---------------------|-----------------|----------------|------|------------------------------------|-----------|
|   |                     |                 | 2020           | 2019 | 2020                               | 2019      |
| 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 29. Investment in associate

| Name of company   | Ownership Interest |        | Consolidated carrying amount |           | Parent Entity carrying amount |           |
|---|--------------------|--------|------------------------------|-----------|-------------------------------|-----------|
|   | 2020               | 2019   | 2020                         | 2019      | 2020                          | 2019      |
| Traded on organised markets:                                |                    |        | \$                           | \$        | \$                            | \$        |
| London City Equities Limited<br>(Incorporated in Australia) | 31.15%             | 31.10% | 3,445,268                    | 3,328,548 | 1,773,985                     | 1,769,569 |
| Strategic holding company investing in shares and deposits. |                    |        |                              |           |                               |           |
|   |                    |        | 3,445,268                    | 3,328,548 | 1,773,985                     | 1,769,569 |

### Consolidated carrying amount

|  | 2020      | 2019      |
|--|-----------|-----------|
| <b>Movements in carrying amounts of investments in associate</b> | \$        | \$        |
| Carrying amount at the beginning of the financial year           | 3,328,548 | 3,111,912 |
| Additional Equity Purchased                                      | 4,415     | 8,509     |
| Net Increase (Reduction) in Reserves                             | 194,325   | 307,978   |
| Share of operating profit (loss) after income tax                | 14,960    | (3,141)   |
| Less dividends received from associates                          | (96,979)  | (96,710)  |
| Carrying amount at the end of the financial year                 | 3,445,269 | 3,328,548 |

### Results attributable to associate

|  | 2020      | 2019      |
|--|-----------|-----------|
| Operating profits (loss) after income tax                        | 14,960    | (3,141)   |
| Less dividends received  | (96,979)  | (96,710)  |
|  | (82,019)  | (99,851)  |
| Retained profits attributable at beginning of the financial year | 1,745,447 | 1,845,298 |
| Retained profits attributable at the end of the financial year   | 1,663,428 | 1,745,447 |

### Reserves attributable to associate

|                  |       |           |
|------------------|-------|-----------|
| Capital Reserves | 7,856 | (186,469) |
|------------------|-------|-----------|

### Share of associate's contingent liabilities

Nil Nil

### Share of associate's expenditure commitments

Nil Nil

### Summary of the performance and financial position of associates

The aggregate profits, assets and liabilities of associates are:

|  |             |             |
|--|-------------|-------------|
| Profits (loss) from ordinary activities after income tax | 48,029      | (10,098)    |
| Assets   | 13,377,054  | 13,471,807  |
| Liabilities  | (3,101,989) | (2,670,446) |

# IMPERIAL PACIFIC LIMITED

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## Note 30. Economic dependency

The major business activities of the group during the year 2019/20 were the management of the London City Equities portfolio, portfolio investment, economic and research monitoring and the participation in legal action relating to the Penrice Soda collapse.

The 31.15% owned London City Equities at 30 June 2020 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 dependency on the financial services sector.

## Note 31. Events occurring after balance date

As reported in Notes 22 and 23 above, London City and other parties (including a subsidiary of Imperial Pacific) are pursuing legal proceedings in the Supreme Court of NSW against Ernst & Young, the former auditors of Penrice Soda (now in liquidation). These proceedings are active and following a recent hearing the matter will move to the 'discovery' process and a mediation before 31 March 2021.

The Directors have declared a fully franked dividend of 6.25 cents per share for 2020. This is not shown in the accounts.

## Note 32. Cash Flow Information

| Reconciliation of operating profit after income tax<br>to net cash inflow from operating activities: | 2020<br>\$    | 2019<br>\$       |
|--|---------------|------------------|
| Operating Profit (Loss) after Income Tax   | (141,785)     | (189,204)        |
| Non cash flows in operating profit / (loss) :  |               |                  |
| Dividend Received - Associated Company   | 96,979        | 96,710           |
| Equity Accounted Interest in Associated Company  | 14,960        | 3,141            |
| Depreciation   | 48,593        |                  |
| Changes in Operating Assets and Liabilities  |               |                  |
| (Increase) Decrease in other Operating Debtors   | 26,499        | 132,960          |
| Increase (Decrease) in other Operating Creditors   | 31,166        | (208,951)        |
| Net Cash used by Operating Activities  | <u>76,412</u> | <u>(165,344)</u> |

### Cash Balances at Year End comprise:

|                                    |               |               |
|------------------------------------|---------------|---------------|
| Cash at Bank and on hand (Note 6)  | 45,898        | 34,062        |
| Balance as per Cash Flow Statement | <u>45,898</u> | <u>34,062</u> |

## Note 33. Earnings per share

|  | 2020      | 2019      |
|--|-----------|-----------|
| Basic and Diluted Earnings per share   | (4.59)    | (6.13)    |
| (No dilution as no options in existence)   |           |           |
| Weighted average number of ordinary shares during the year<br>used in the calculation of basic EPS | 3,087,171 | 3,087,171 |

\*\*\*\*\*



# 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 2020 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. G. BUTEL, Director

Sydney

Dated: 15 September 2020

**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 2020 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  
Partner

NEWCASTLE

15 September 2020

**Independent Audit Report to the Members of**

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

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Imperial Pacific Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying 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 Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our opinion on the accompanying financial report.

### *Investment Valuation*

The Group's primary activity is investment in other companies and its main asset is an investment portfolio consisting primarily of listed equities, an investment in an associated company, also listed on the ASX, and cash deposits. As at 30 June 2020, the value of investments (refer to note 10 to the financial statements) amounted to \$4.140M representing 78% of total assets held by the Group.

The Group's accounting policy with respect to Controlled Entities and Associates is disclosed in note 1(c) to the financial statements.

The Group's accounting policy describes the distinction between the "Trading Portfolio" and the "Investment Portfolio" (refer to note 1(e) to the financial statements) with both asset classes recorded at fair value in accordance with Accounting Standard AASB 9 Financial Instruments.

The distinction between "Trading" and "Investment" portfolio assets can have a significant impact on the financial report as changes in market value of the former are recorded in the Income Statement and the latter within a separate reserve within equity. The classification and valuation of investments within the Investment Portfolio, and the tax effect of unrealised gains or losses, (refer to note 17(a) to the financial statements) is considered a key area of focus.

### *How our audit addressed this key audit matter*

In obtaining sufficient audit evidence we:

- a) Assessed the classification of each investment as either Trading or Investment Portfolio assets in accordance with the Group's accounting policy
- b) Confirmed investment holdings to external confirmations
- c) Confirmed the valuation of all listed investments had been recorded to reflect the appropriate market value of the securities at balance date
- d) Evaluated the Company's assessment of fair value for possible impairment
- e) Evaluated the Company's recognition of deferred tax assets, in respect of tax losses, to reduce the tax payable in respect of the unrealised gains on the Investment Portfolio.

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

### *Liquidity – Working capital deficit*

At balance date the Group's current liabilities exceeded the Group's current assets by \$938,112. The Group has borrowed funds from a related party director and shareholder to provide short term liquidity funding. The loan payable was \$1,837,730 at balance date and was borrowed on terms of no interest and at least a 90 day repayment notice period and not repayable before 31 January 2021. These terms are addressed in note 19 to the financial statements which also discloses that the loan has been obtained as a temporary measure pending the Group pursuing and completing an equity issue to strengthen the Group's financial structure. The Group has provided a loan facility to an associated company on the same terms with the amount receivable being \$939,635 at balance date as disclosed in note 7 to the financial statements. Liquidity is considered a key focus area.

### *How our audit addressed this key audit matter*

In obtaining sufficient audit evidence we:

- a) Reviewed Board papers and minutes of meetings of the Board of Directors addressing matters of liquidity and the terms of the loans payable and receivable
- b) Discussed the liquidity management practices with those charged with governance
- c) Discussed the progress of the plans to complete an equity raising
- d) Reviewed documentation setting out the purpose and terms of the loans payable
- e) Reviewed the movements in the loan payable balance and verified a sample of transactions to supporting records
- f) Considered the financial position of the associated entity and have considered the liquidity of its financial assets to facilitate repayment of the loan receivable by the Group

### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Group's 2020 Annual Report other than the financial report and the auditor's report thereon. We obtained the Chairman's Review and Directors Report that are to be included in the Annual Report prior to the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Audit of the Remuneration Report**

### *Opinion on the Remuneration report*

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2020. In our opinion, the Remuneration Report of Imperial Pacific Limited for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Cutcher & Neale  
Chartered Accountants



M. J. O'Connor  
Partner  
NEWCASTLE

16 September 2020



# IMPERIAL PACIFIC LIMITED

ABN 65 000 144 561

## Corporate Governance Charters - 2020

### *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 14 September 2020

194 Shareholders held Ordinary Shares

The number of holders in the following categories are:-

|                   |       |
|-------------------|-------|
| 1 - 1,000         | 72    |
| 1,001 - 5,000     | 74    |
| 5,001 - 10,000    | 21    |
| 10,0011 - 100,000 | 24    |
| 100,001 and over  | 3     |
|                   | <hr/> |
|                   | 194   |

There were 43 shareholders with a non-marketable parcel of shares.

### Substantial Shareholders - 14 September 2020

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

Shares in which a relevant  
interest could be held  
1,209,105  
685,790

### Twenty Largest Shareholders as at 14 September 2020

The names of the 20 largest shareholders are:-

| Name                                      | Shares Held |
|---|-------------|
| P.E.J. Murray                             | 1,209,105   |
| J.C. Plummer                              | 685,790     |
| C.F. Moore                                | 145,197     |
| Illuminator Investment Company Limited    | 90,000      |
| Zoom Zoom Pty Limited                     | 84,813      |
| Symspur Pty Limited                       | 45,677      |
| C.D. Murphy                               | 43,400      |
| D. Murray                                 | 39,840      |
| C.D. & G.H.Amor                           | 39,000      |
| Invia Custodian Pty Limited               | 38,392      |
| Bond Street Custodians Limited            | 36,800      |
| M Pairidis                                | 34,040      |
| 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      |
| H.M. Jarvie                               | 21,509      |
| Valhalla Investments Pty Limited          | 19,440      |
| JW Murphy, PA Murphy and DV Breeden       | 18,653      |
|   | <hr/>       |
|   | 2,684,385   |
| Percentage of capital held by top twenty: | <hr/>       |
|   | 86.95%      |

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

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

**2011 -12** – Belmont Holdings changes name to Imperial Pacific Limited. Access to Penrice documents granted by Court. MainstreamBPO holding reduced.

**2013 – 17** - MainstreamBPO and Tasmania Mines exited. Research continues. Assets in major growth. Dividend up.

**2018- 20** – Net Worth continues growth. London City's portfolio grows. Court action pursued regarding Ernst & Young auditors of Penrice. 2% of Excelsior Capital Limited bought.