IPE Limited

HALF-YEARLY REPORT TO INVESTORS
31 DECEMBER 2013

ABN 48 107 843 381

Review

Introduction

Net profit after tax	$3.14 million
Net assets	$63.56 million
Net tangible asset backing (post tax)	$0.465 per share
Debt	nil
Debt facility limit	$7 million
Cash	$3.1 million
Dividends paid	3.50 cps (July) 3.00 cps (December)
Number of private equity funds	16
Number of underlying investments	60
Undrawn commitments	$6.5 million

It was a good six months for the portfolio and the Company. Against a background of relatively stable financial markets, the private equity sector was active with a range of sales taking place, valuations improving and confidence from the debt markets enabling the re-capitalisation of many companies. These conditions provided the Company with improved profits and strong cash inflows, bolstering its cash reserves and enabling the payment of another dividend.

The Company was originally established by a member of the ING Group but over recent years that Group has been restructuring and splitting up its organisation. As a consequence, it became appropriate to change the Company's name. At the AGM held on 31 October shareholders approved a name change from ING Private Equity Access Limited to IPE Limited.

Financial results

The half year produced an increased profit of $3.14 million compared with $1.69 million in the prior corresponding period. The drivers of the change were a flow of distributions from the portfolio and an improvement in unrealised valuations (net of any changes due to the realisation of assets).

Net Tangible Assets ("NTA") per share at 31 December was $0.444 pre-tax ($0.4495 at 30 June) and $0.465 post-tax ($0.472 at 30 June). The small change was the net result of improvements in unrealised values reduced by the payment of the 3.00 cents per share dividend in December (the dividend paid in July was included as a provision in the June NTA).

The cash for the December dividend came from a number of funds and a range of differing transaction styles. There were sales of investments and re-financings that provided the Company with sufficient cash to fund its portfolio obligations and enough of a surplus to fund another dividend payment. At the time of declaring the dividend the debt facility was undrawn and private equity commitments had also significantly declined so it was pleasing to be able to pay the second dividend within a six month period and again with significant tax benefits attached (100% franked). The balances of both the franking account and LIC gains account are now very low so the Company may not be able to attach tax benefits to any further dividends or other cash payments paid over the course of this financial year but nevertheless will continue to return cash to shareholders when it is feasible and prudent to do so.

Capital management

At 31 December 2013 the Company had $6.5 million ($11.1 million at 30 June) of undrawn private equity commitments, available for new investments and other fund requirements. The majority of that $4.6 million reduction was funded by cash inflows during the period but the Company did utilise $2 million of its debt facility (expiry in July 2014) as bridging for a short time. At period end, debt was again back to zero, the same as at 30 June. The cash balance at period end was $3.1 million.

Undrawn commitments were also reduced by the cancellation of a small proportion as managers re-assessed their funds' requirements after the end of their investment programmes. With all programmes now completed (except for follow on activity) the current balance of outstanding commitments of $6.5 million (as at 21 February 2014) is likely to be drawn on a very gradual basis and further cancellations are expected as time passes and produces more certainty on fund needs.

Over the next few months the Company will again review its capital requirements and discuss with its lender the appropriate size and conditions of an ongoing debt facility, balancing the need to service its obligations and a desire to efficiently return cash to shareholders.

Private Equity Portfolio

The Company's private equity fund portfolio continues to include 16 funds managed by 11 different private equity groups.

There was a healthy level of activity in the portfolio over the six months. Strength in the financial markets provided the confidence needed for progress with sales activity, operational improvements, debt re-negotiations and new investment.

More than $12 million flowed back to the Company from its investments which only required about $4 million in funding. The most cash generative exit was the sale of Guardian Childcare by Wolseley Partners II but Pacific Equity Partners ("PEP") also provided significant cash returns through the recapitalisations of many investments. PEP was able to utilise favourable conditions for debt markets in both the USA and Australia to re-finance eight of its portfolio companies and return cash to investors. It also used the period to position two companies for exit with the well-received listing of Veda Advantage (PEP retained all of its equity stake for future sell-down) and a partial sell down of Link Administration Holdings to other institutional investors. In other activity, Catalyst sold Ezibuy and announced the sale of Global Television to an offshore buyer (settlement took place in late January) while Wolseley also sold Next Media and ended the year with the refinancing of Blue Star.

There were only three new investments added to the portfolio as a couple of funds completed their portfolios before their investment periods expired. NBC Capital III added Statseeker and Smart Campus Group while Wolseley Partners II created the Nexus Day Hospital Group to aggregate opportunities in that sector. Three businesses received follow-on funding. Only one fund, Pacific Equity Partners IV, was still able to invest in new opportunities at 31 December but has since advised that it will not be adding further new investments to its portfolio. Thus the Company's underlying portfolio has been completed except for follow-on opportunities that may create additional value.

The Company has entered calendar 2014 in a promising position. Unrealised valuations at period end reflected the strength in the listed markets and the IPO market still appears receptive to well run businesses. There has been regular speculation in the press about IPOs for a number of businesses in the portfolio. It is possible that some of those could proceed but markets are fickle and private equity funds do not rely on the IPO market as the only exit mechanism for their investments – it can involve a long and uncertain process and other exit mechanisms generally offer greater certainty. Nevertheless we do expect exit activity to be the dominant and rewarding feature of the Company's portfolio over the next 12 months which should enable the payment of more cash to shareholders.

There are still 60 companies in the underlying private equity funds, providing well diversified exposure across a range of industry sectors.

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

Sydney
21 February 2014

Summary of private equity funds

Portfolio holdings as at 31 December 2013 are outlined below.

Fund name	Investment stage focus	Fund size $m	Committed $m	Capital drawn $m	Capital to be drawn $m	Cash back $m
Archer Capital Fund 3	Buyouts	397.0	6.6	6.5	0.1	11.6
Archer Capital Fund 4	Buyouts	1,312.4	9.7	8.9	0.8	9.4
Catalyst Buyout Fund 1	Buyouts	390.0	8.0	8.0	-	2.9
CM Capital Venture Trust 4	Venture Capital	153.5	8.0	7.4	0.6	0.4
Direct Capital Partners III	Expansion / Buyouts	57.1	7.0	6.7	0.3	7.1
HPEF II	Expansion / Buyouts	180.5	8.0	7.9	0.1	4.4
Ironbridge Capital 2003/4 Fund	Buyouts	450.0	5.0	4.8	0.2	3.8
NBC Private Equity Fund II	Expansion / Buyouts	98.6	6.0	6.0	-	0.4
NBC Private Equity Fund III	Expansion / Buyouts	101.2	10.0	9.8	0.2	3.8
Pacific Equity Partners Fund III	Buyouts	1,254.0	7.9	7.5	0.4	5.0
Pacific Equity Partners Fund IV	Buyouts	3,661.0	9.0	7.2	1.8	1.8
Propel Private Equity Fund II	Expansion / Buyouts	70.8	3.4	3.4	-	5.2
Quadrant Private Equity No. 1	Expansion / Buyouts	265.0	8.0	7.9	0.1	8.4
Quadrant Private Equity No. 2	Expansion / Buyouts	480.0	9.6	8.8	0.8	13.0
Wolseley Partners Fund I	Expansion / Buyouts	107.4	8.0	8.0	-	2.3
Wolseley Partners Fund II	Expansion / Buyouts	235.0	10.0	8.8	1.2	3.0
Total			124.1	117.6	6.5	82.5

* numbers subject to rounding

Summary of new investments in the period

Fund name	Company	Description
NBC Private Equity Fund III	Statseeker	Designs, develops, sells, supports monitoring software
	Smart Campus Group	Vocational and higher education provider for IT sector
Wolseley Partners Fund II	Nexus Day Hospital Group	Day hospital operator focused on the ophthalmology sector

In addition to the new investments, three existing investments received follow-on funding.

Summary of realisations

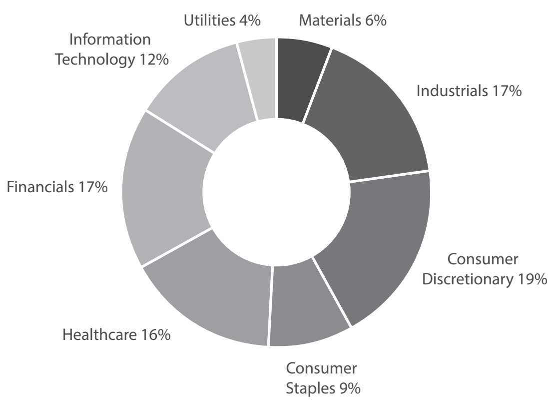
Fund	Company	Total return as a multiple of cost
Catalyst Buyout Fund 1	Ezibuy	1.6x
CM Capital Venture Trust 4	Adgent Pathway Therapeutics	0.0x 0.0x
Direct Capital Partners III	Shears & Mac	0.0x
HPEF II	Bras-n-Things	0.4x
NBC Private Equity Fund II	BCP	0.0x
Quadrant Private Equity No 2	Summerset Retirement Villages	2.6x
Wolseley Partners Fund I	Next Media	0.9x
Wolseley Partners Fund II	Guardian Childcare	2.3x

Summary of vintages (calendar year)

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

2004	2005	2006	2007	2008
3	2	10	16	8
2009	2010	2011	2012	2013
3	4	6	5	3

Industry sector exposure at period end



Summary of 20 largest private equity exposures

(as a percentage of the Company's total assets as at 31 December 2013)

Fund	Date settled	Company	Percentage
PEP III & IV	Jul 07	Veda Advantage (ASX: VED)	7.0%
Quadrant 2	Jul 10	iSentia	5.9%
Wolseley II	Nov 12	Blue Star	5.1%
PEP III	Sep 06	Link Administration	3.5%
Catalyst I	Jan 07	Global Television	3.3%
Wolseley I & II	Apr 07	Cox Gomyl	3.3%
Co-investment	Jun 07	Vitaco	3.1%
PEP IV	Jan 10	Energy Developments (ASX: ENE)	2.9%
Quadrant 1	Mar 06	Seniors Money	2.9%
Archer 4	Jun 11	Healthe Care Australia	2.5%
Direct Capital III	Nov 05	NZ Pharmaceuticals	2.3%
HPEF II	Feb 07	Endeavour Learning Group	2.3%
NBC III	Oct 13	Smart Campus Group	2.3%
Wolseley II	Jul 10	Abergeldie Group	2.3%
NBC III	Dec 12	Fusion Food / Degani	2.3%
Propel II	Nov 04	The PAS Group	2.2%
PEP IV	Jun 08	American Stock Transfer	2.2%
PEP IV	Aug 12	Spotless Group	2.2%
PEP IV	Jan 12	SCA Hygiene Australasia	2.1%
CM Capital 4	Jun 07	Osprey Medical	1.9%
Total			61.4%

Financial Statements

Condensed income statements
For the 6 months ended 31 December

	2013 $'000	2012 $'000
REVENUES		
Dividends and distributions revenue	4,768	2,148
Interest revenue	41	28
Change in net market value of investments	172	742
	4,981	2,918
EXPENSES		
Management fees	270	281
Interest and bank expense	67	102
Other expenses	202	273
	539	656
Profit before income tax expense	4,442	2,262
Income tax expense	(1,302)	(572)
Net profit after tax	3,140	1,690
Other comprehensive income	-	-
Total comprehensive income for the period	3,140	1,690

Condensed balance sheets

	31 Dec 2013 $'000	30 Jun 2013 $'000
ASSETS		
Cash	3,140	5,322
Receivables and prepayments	69	55
Unlisted private equity investments	57,718	60,878
Tax assets	3,880	4,627
Total assets	64,807	70,882
LIABILITIES		
Other payables	260	131
Provision for dividend	-	4,787
Borrowings	-	-
Current tax liabilities	988	1,445
Deferred tax liabilities	1	4
Total liabilities	1,249	6,367
Net assets	63,558	64,515
EQUITY		
Issued capital	73,005	73,005
Retained earnings	(9,447)	(8,490)
Total equity	63,558	64,515

Note: The above figures represent a summary version of the Company's Appendix 4D and Interim Financial Report as released to the ASX on 21 February 2014.

Directory

IPE Limited
ABN 48 107 843 381

Directors

Geoff Brunsdon (Independent, Non-Executive Director and Chairman)
Jon Schahinger (Managing Director)
Donald Stammer (Independent, Non-Executive Director)

Company Secretary

Sam Jackson

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Stock Exchange Listing

A member of the official list of the Australian Securities Exchange

ASX Code: IPE

Website

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References to currency in this report are in Australian dollars, unless otherwise specified. Investments in IPE are not deposits with or other liabilities of nor guaranteed by any entity of the ING Group in Australia or elsewhere and are subject to investment risk including loss of income or capital invested.

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To directly access your shareholder record and change your own Annual Report Election online:

1. Visit the share registrar's website at www.linkmarketservices.com.au
2. Choose the Investor Login option
3. From the Company Name menu select IPE Limited
4. Enter your Shareholder Reference Number (SRN) or Holder Identification Number (HIN), your surname or company name and your postcode to access your details
5. Select Communications Option to elect or change your Annual Report Election

Alternatively, you may choose to contact Link Market Services on the details below:

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