

# IPE Limited

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HALF-YEARLY REPORT TO INVESTORS  
31 DECEMBER 2014

ABN 48 107 843 381

# Review

## Introduction

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

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

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

## Financial results

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

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

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

## Capital management

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

The healthy position of the Company enabled a further return of capital and dividend to be paid and at the Annual General Meeting shareholders approved a resolution that will allow the efficient return of further capital during calendar 2015 should the Board deem it prudent to declare a payment out of excess cash reserves. Over the next few months the Company will approach the ATO for confirmation of the tax status of capital returns paid since July 2014 with the aim of providing confirmation, via an ASX release, before shareholders need to complete their tax returns for FY 2015.

## Private Equity Portfolio

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

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

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

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

With portfolios complete there were no new investments and very limited follow-on activity while some of the exit activity experienced in calendar 2014 should also generate cash in 2015 – a result of sale escrow periods ending for the likes of iSentia (Quadrant 2), Spotless Group (PEP IV) and PAS Group (Propel II).

In addition, there are still 50 companies in the underlying private equity funds and many of these funds will also be seeking exits for some of those investments should market conditions permit.

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

Sydney  
20 February 2015

## Summary of private equity funds

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

\* numbers subject to rounding

## Summary of realisations

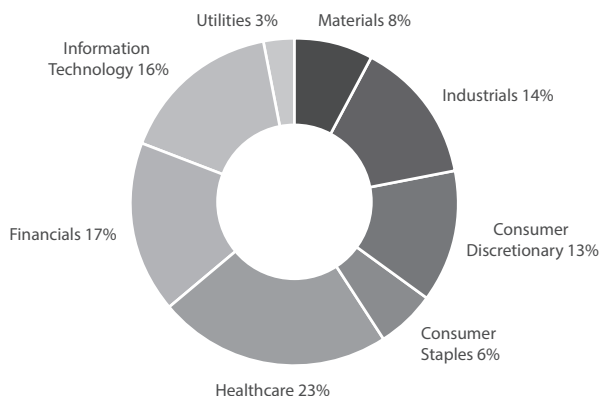
Fund	Company	Total return as a multiple of cost
CM Capital 4	Ingenero	0.0x
Ironbridge 2003/2004 Fund	Stardex	2.4x
Pacific Equity Partners III	Griffin's Foods	2.2x
Pacific Equity Partners III and IV	Hoyts Group	2.9x

## Summary of vintages (calendar year)

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

2004	2005	2006	2007	2008
2	2	8	10	8
2009	2010	2011	2012	2013
4	4	6	3	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 2014)

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

# Financial Statements

## Condensed income statements For the 6 months ended 31 December

	2014 \$'000	2013 \$'000
<b>REVENUES</b>		
Dividends and distributions revenue	5,420	4,768
Interest revenue	100	41
Change in net market value of investments	(4,390)	172
	1,130	4,981
<b>EXPENSES</b>		
Management fees	225	270
Interest and bank expense	17	67
Other expenses	144	202
	386	539
Profit before income tax expense	744	4,442
Income tax expense	(165)	(1,302)
<b>Net profit after tax</b>	<b>579</b>	<b>3,140</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>579</b>	<b>3,140</b>

## Condensed balance sheets

	31 Dec 2014 \$'000	30 Jun 2014 \$'000
<b>ASSETS</b>		
Cash	4,005	10,084
Receivables and prepayments	308	1,386
Unlisted private equity investments	42,803	50,938
Tax assets	3,365	3,184
<b>Total assets</b>	<b>50,481</b>	<b>65,592</b>
<b>LIABILITIES</b>		
Other payables	111	188
Provision for capital return	-	5,469
Current tax liabilities	864	2,129
Deferred tax liabilities	3	5
<b>Total liabilities</b>	<b>978</b>	<b>7,791</b>
<b>Net assets</b>	<b>49,503</b>	<b>57,801</b>
<b>EQUITY</b>		
Issued capital	62,762	67,542
Retained earnings	(13,259)	(9,741)
<b>Total equity</b>	<b>49,503</b>	<b>57,801</b>

Note: The above figures represent a summary version of the Company's Appendix 4D and Interim Financial Report as released to the ASX on 20 February 2015.

# 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

## Registered Office of the Company

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## Manager

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## Registrar

Link Market Services Limited  
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680 George Street  
Sydney NSW 2000 Australia  
T: 1800 891 098

## Auditor

Grant Thornton  
Level 17  
383 Kent Street  
Sydney NSW 2000 Australia

## Stock Exchange Listing

A member of the official list of the Australian Securities Exchange  
ASX Code: IPE

## Website

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

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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](http://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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