

# IPE Limited

ANNUAL REPORT 30 JUNE 2016

ABN 48 107 843 381



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# Calendar

## OCTOBER 2016

Monday, 10 October  
Monthly NTA Release

Wednesday, 26 October  
Annual General Meeting

## NOVEMBER 2016

Friday, 11 November  
Monthly NTA Release

## DECEMBER 2016

Monday, 12 December  
Monthly NTA Release

## JANUARY 2017

Wednesday, 11 January  
Monthly NTA Release

## FEBRUARY 2017

Friday, 10 February  
Monthly NTA Release

Friday, 17 February  
Half Yearly Results Release

## MARCH 2017

Friday, 10 March  
Monthly NTA Release

## APRIL 2017

Monday, 10 April  
Monthly NTA Release

## MAY 2017

Wednesday, 10 May  
Monthly NTA Release

## JUNE 2017

Monday, 12 June  
Monthly NTA Release

## JULY 2017

Wednesday, 12 July  
Monthly NTA Release

## AUGUST 2017

Thursday, 10 August  
Monthly NTA Release

Wednesday, 23 August  
Annual Results Release

## SEPTEMBER 2017

Monday, 11 September  
Monthly NTA Release

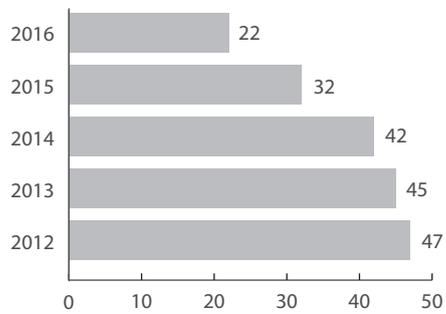
## 2016 ANNUAL GENERAL MEETING

Date: Wednesday 26 October 2016  
Time: 2.00pm for 2.30pm start  
Venue: Offices of Grant Thornton  
Level 17, 383 Kent Street, Sydney, NSW

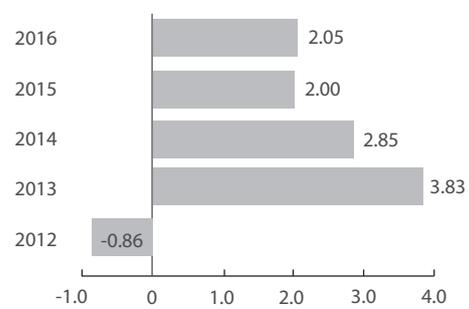
Details about the items of business to be considered at the AGM are contained in the separate Notice of 2016 Annual General Meeting sent to investors.

# Five Year Summary

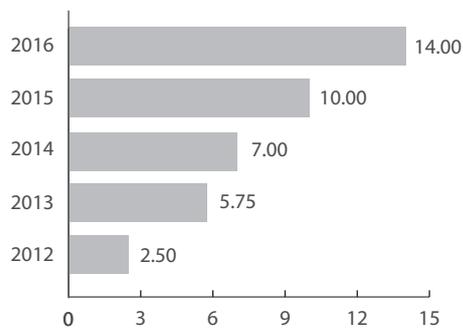
NET ASSET VALUE (pre tax cents per share)



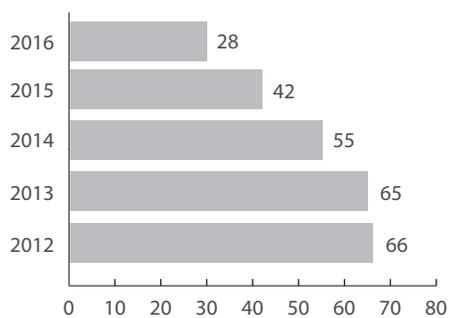
NET PROFIT AFTER TAX (\$m)



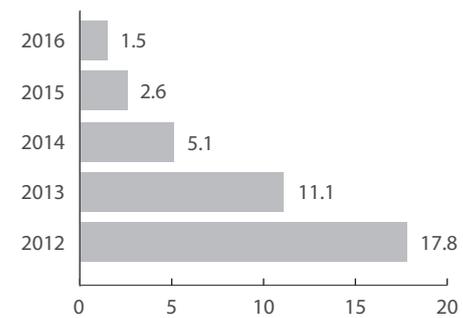
CASH TO SHAREHOLDERS (cents per share)



NUMBER OF UNDERLYING INVESTMENTS



UNDRAWN PRIVATE EQUITY COMMITMENTS (\$m)



# Statement by the Chairman

We were pleased over the last year to be able to continue the strong cash flows back to shareholders, with \$19 million paid out in two dividends and two returns of capital. The strategy of maximising value to shareholders by the gradual wind-down of the portfolio has worked well so far but is under continual review as the portfolio diminishes.

The portfolio is down to 28 underlying investments and the 10 most significant represent more than 70% of that portfolio value. We expect a number of these larger exposures will be realised over the second half of 2016 enabling more cash to be returned to shareholders. A few of those realisations will be from blocks of listed stock that come out of escrow so the outcomes will be partially dependent on the state of the financial markets.

Those markets have been remarkably resilient over the last six months – a resilience that is slightly unsettling. We have witnessed the uncertainties of: the federal election; Brexit; turmoil in the middle-east; multiple terrorist attacks; the drawn-out US election period; and disputes in the South China Sea. In spite of that, the ASX climbed back to a short-term high – a position that seems unwarranted.

During that period we continued to enjoy the benefit of Dr. Don Stammers' experience at the board table. Having reached his 75th birthday Don decided to wind-back his business activities and I thank him again for his valuable contributions over many years. In his absence, we have been fortunate that Tony Sims agreed to join the Board and believe that his skills and particular area of expertise will be very relevant to this stage of the Company's life.

The Company has maintained an on-market buy-back of shares for part of the year. In a relatively thin trading environment, we will only buy when there is evident value to shareholders so our purchases have been modest to date. We shall re-evaluate the buy-back before the upcoming AGM.



Our process of seeking an annual confirmation from the ATO on the nature of our capital returns has worked smoothly and an appropriate class order was released to the market on 30 June. We shall again ask shareholders for approval for further capital returns and seek another class order, if necessary, to cover the 2017 financial year.

Lastly, on behalf of the Board, thank you for your continued support and I hope you will join us at the AGM which will be held on Wednesday, 26 October, at the offices of Grant Thornton in Sydney.

A handwritten signature in black ink, appearing to read 'Geoff Brunsdon'.

Geoff Brunsdon  
Chairman  
19 August 2016

# Operating and Financial Review

## KEY ITEMS

Net profit after tax	\$2.05 million
Net assets	\$28.90 million
Net tangible asset backing (pre tax)	\$0.220 per share
Debt	Nil
Debt facility	None
Cash	\$1.04 million
Dividends paid	1.00 cps (\$1.4 million) 5.75 cps (\$7.8 million)
Return of capital paid	4.50 cps (\$6.1 million) 2.75 cps (\$3.7 million)
Number of private equity funds	11
Number of underlying investments	28
Undrawn commitments	\$1.5 million

## CASH FLOW AND EARNINGS

The Company produced an after tax profit of \$2.05 million for the year after impairing its deferred tax asset by \$1.51 million due to the increasing uncertainty of its benefit as the portfolio shrinks. The comparative profit last year was \$2.00 million.

After a shaky start to the year, the share market buoyancy supported another good year for private equity funds seeking to sell investments. Major sources of cash inflows were:

- The partial exit of the co-investment in Vitaco, on its listing on the ASX (code: VIT);
- The sale of Energy Developments by Pacific Equity Partners ("PEP") IV;
- The partial exit of the IVE Group by Wolseley Partners II, on its listing on the ASX (code: IGL);
- The partial exit of the Link Group by PEP III, on its listing on the ASX (code: LNK);
- The sale of HealthCare by Archer Capital Fund 4;
- The sale of NZ Pharmaceuticals by Direct Capital Partners III; and
- The final sell down of iSentia by Quadrant Private Equite No. 2.

Receipts also included a range of more modest distributions from a number of funds. These activities ensured that strong cash inflows continued with receipts totaling \$16.6 million (\$17.6 million in 2015) while the portfolio called slightly more than \$0.3 million (\$1.5 million in 2015). The net result enabled the Company to declare and pay \$19.0 million in dividends and capital returns and end the year with \$1.0 million in cash reserves. That cash balance will increase over the next few months as we have already received further cash from Wolseley II following its sale of two investments on 30 June and then some listed holdings will be released from escrow (eg. Link, IVE Group and Vitaco) and may be sold down. It is likely that further dividends and capital returns will be paid to shareholders before calendar year-end as the Board's aim remains to return cash to shareholders as efficiently as possible.

## NET ASSET BACKING

The underlying value of the investment portfolio is captured in the net tangible assets ("NTA") disclosed monthly to the ASX.

The NTA at 30 June was \$28.9 million (2015: \$46.1 million) after having paid \$19.0 million (14 cents per share) in dividends and capital returns during the year. Pre-tax NTA per share moved from \$0.324 (\$0.338 post-tax) at 30 June 2015 to \$0.220 (\$0.213 post-tax) at balance date.

As the underlying portfolio declines in number and particular investments become more material to the value of the Company it is probable that the NTA could become more volatile than in the past when the extent of diversification was more pronounced.

Investors can access monthly NTA releases from the Company's website at [www.ipelimited.com.au](http://www.ipelimited.com.au), via the ASX website or by contacting their broker.

## CAPITAL MANAGEMENT

At balance date the Company had \$1.5 million of undrawn private equity commitments compared with \$2.6 million at 30 June 2015. The Company remains debt free.

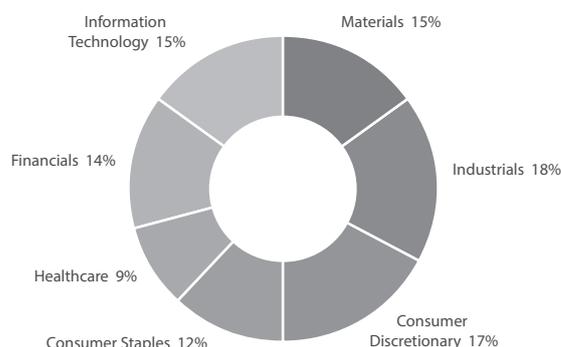
With shareholder approval in place and a continuation of strong cash flows the Company was able to pay a total of 7.25 cents per share in two capital returns during the year and the Australian Tax Office subsequently confirmed (announced on 30 June) that the returns were non-taxable. With ongoing private equity exit activity we expect capital returns to continue over FY2017 and again will seek appropriate shareholder approval at the next AGM and, if necessary, again approach the ATO for a class ruling – processes that have worked very efficiently over the last couple of years.

At the time of the 2015 AGM an on-market buyback of up to 10% of the shares on issue was announced. Since then 927,103 shares have been bought back which is only about 0.7%. None have been acquired since February as the share price has consistently traded close to or above NTA. Nevertheless, the buy-back remains in force and will be subject to further review by the Board later in the year.

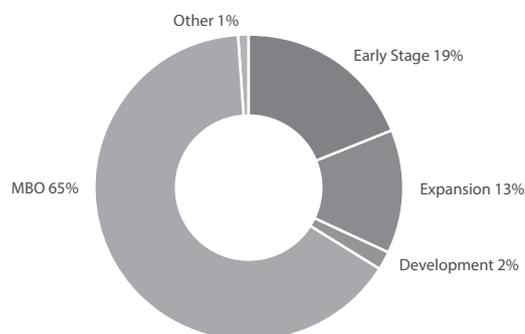
## PORTFOLIO DIVERSIFICATION

The private equity portfolio is still diversified by investment management team, investment stage, company size, industrial sector, geography, deal size and maturity but the extent of the diversification is diminishing as the number of underlying investments in the portfolio declines.

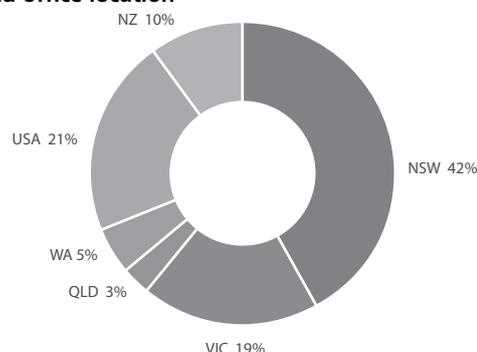
### Industry sector exposure



### Underlying investment stage



### Head office location



> Diversification by sector, stage and geography.

## PRIVATE EQUITY PORTFOLIO

The Company's original focus was to build a diversified portfolio of institutional-grade private equity funds which are now winding down. Over the year, the Company's undrawn commitments reduced to \$1.5 million and because of terminations and cancellations, a number of funds that were part of the portfolio are no longer included in the table below. We expect that all funds will be seeking to exit their portfolios over the next couple of years and we expect further small cancellations of unused commitments.

The summary of the portfolio as at 30 June 2016 is:

	Investment focus	Fund size (\$m)	Committed (\$m)	Capital drawn (\$m)	Capital to be drawn (\$m)	Cash back (\$m)
Archer Capital Fund 4	MBO	1,312.4	9.7	9.1	0.6	14.1
Catalyst Buyout Fund 1	MBO	390.0	8.0	8.0	0.0	5.2
CM Capital Venture Trust No 4	Venture	153.5	8.0	7.8	0.2	0.6
Direct Capital Partners III (\$A equiv)	Exp / MBO	57.2	7.0	6.9	0.1	10.0
Ironbridge Capital 2003/4 Fund	MBO	450.0	5.0	4.8	0.2	3.8
NBC Private Equity Fund III	Exp / MBO	101.2	10.0	10.0	0.0	4.1
Pacific Equity Partners Fund III	MBO	1,214.0	7.6	7.5	0.1	12.6
Pacific Equity Partners Fund IV	MBO	3,061.0	7.4	7.2	0.2	9.9
Quadrant Private Equity No.1	Exp / MBO	265.0	8.0	8.0	0.0	9.8
Wolseley Partners Fund I	Exp / MBO	107.4	8.0	8.0	0.0	2.4
Wolseley Partners Fund II	Exp / MBO	235.0	10.0	10.0	0.0	5.8
<b>Total</b>			<b>88.7</b>	<b>87.2</b>	<b>1.5</b>	<b>78.1</b>

Note 1. Numbers subject to rounding.

Note 2. "Exp / MBO" means expansion capital and management buy-outs.

The underlying private equity portfolio continued to decrease over the year. There were 12 totally exited (some had achieved earlier partial exits), no new investments added and the portfolio ended with exposure to 28 ongoing opportunities. In addition to the list below, the partial IPO exits mentioned previously were important in creating paths to eventual total exit, though the outcomes may depend heavily on market conditions going forward.

<b>Fund</b>	<b>Company</b>	<b>Total return as a multiple of cost</b>
Archer Capital Fund 4	HealthCare Australia	4.0x
Direct Capital Partners III	NZ Pharmaceuticals	4.9x
NBC Private Equity Fund II	Withcott Seedlings	0.0x
Pacific Equity Partners Fund III	Xtralis	1.4x
Pacific Equity Partners Fund IV	Energy Developments	2.6x
	Spotless Group	2.4x
Propel Private Equity Fund II	PAS Group	1.3x
Quadrant Private Equity No.2	Independent Pub Group	0.6x
	iSentia	6.2x
Wolseley Partners Fund II	Abergeldie Group	1.1x
	AGS World Transport	0.5x
	Nexus Day Hospitals	2.0x

## SUMMARY OF 20 LARGEST PRIVATE EQUITY EXPOSURES

(As a percentage of the value of the Company's total private equity assets as at 30 June 2016.)

<b>Fund</b>	<b>Date invested</b>	<b>Company</b>	<b>Percentage</b>
Wolseley Partners Fund II	Nov-12	IVE Group (ASX: IGL)	11.9%
Wolseley Partners Fund I & II	Apr-07	Façade Access	10.8%
CM Capital Venture Trust No 4	Feb-08	ThreatMETRIX Inc	10.4%
Pacific Equity Partners Fund III	Sep-06	Link Administration (ASX: LNK)	9.8%
NBC Private Equity Fund III	Dec-12	Degani Australia	7.3%
NBC Private Equity Fund III	Oct-13	Didasko Learning	6.2%
Archer Capital Fund 4	Jun-11	Quick Service Restaurants	4.7%
Direct Capital Partners III	Aug-08	NZ King Salmon	4.5%
CM Capital Venture Trust No 4	Oct-07	Piedmont Pharmaceuticals	3.9%
Pacific Equity Partners Fund IV	Jun-08	American Stock Transfer	3.4%
Ironbridge Capital 2003/4 Fund	Oct-05	BBQSAM	3.0%
CM Capital Venture Trust No 4	Jul-08	Datacastle Corporation	2.9%
Quadrant Private Equity No.1	Mar-06	Seniors Money International	2.2%
Co-Investment	Jun-07	Vitaco (ASX: VIT)	1.9%
Wolseley Partners Fund II	Jul-11	AGS World Transport*	1.9%
NBC Private Equity Fund III	Aug-13	Statseeker	1.8%
Wolseley Partners Fund II	Jul-10	Abergeldie Group*	1.8%
Wolseley Partners Fund II	Apr-10	Byron Group Holdings	1.6%
CM Capital Venture Trust No 4	Jun-09	SpeedX	1.5%
NBC Private Equity Fund III	Aug-08	Layby Services Australia	1.5%
<b>Total (rounded)</b>			<b>93.0%</b>

\*deferred proceeds for exited investments

## PRIVATE EQUITY FUND INVESTMENTS



### ARCHER CAPITAL

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

Archer Capital is a leading private equity investment house which has enjoyed a long presence in the Australian buy-out market. Sydney-based Archer invests in leveraged buy-outs, seeking companies with strong market positions and/or growth potential, leading to strong, stable cash flows.

	<b>% of Private Equity Assets "PE"</b>
<b>Archer Capital Fund 4</b>	
Brownes Producer of milk, juice and yoghurt	0.4%
V8 Supercars Controls Australia's most popular motor sport	0.9%
Quick Service Restaurants Fast food operator – Red Rooster, Chicken Treat, Oporto	4.7%



### CATALYST INVESTMENT MANAGERS

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

Sydney-based Catalyst has a mid-market buyout and expansion capital focus investing in companies with enterprise values of between \$50 million and \$300 million.

	<b>% of "PE"</b>
<b>Catalyst Buyout Fund 1</b>	
Oakville Produce Fresh produce wholesaler and distributor	0.0%
Max Fashions Women's clothing retailer	0.7%



## TALU VENTURES

[www.taluventures.com](http://www.taluventures.com)

Talu Ventures was established by a number of the executives of CM Capital as part of a succession transition and remains as a specialist venture capital manager based in Brisbane. The fund has invested in early stage companies in the life sciences, information technology and telecommunication sectors.

### CM Capital Venture Trust No 4

% of "PE"

Altiris	
Drug company developing small molecule drug therapies	0.0%
Sunshine Heart Inc (NASDAQ: SSH)	
Developing a mechanical heart assist device	0.2%
Osprey Medical Inc (ASX: OSP)	
Developing cardiovascular catheter systems	1.4%
Piedmont Pharmaceuticals LLC	
Specialty human and veterinary pharmaceuticals	3.9%
ThreatMETRIX Inc	
Anti fraud software for internet transactions	10.4%
Datacastle Corporation	
Enterprise software for data protection	2.9%
Speedx	
Molecular diagnostics platform developer	1.5%



## DIRECT CAPITAL III

### DIRECT CAPITAL

[www.directcapital.co.nz](http://www.directcapital.co.nz)

Based in Auckland, Direct Capital Partners focuses on mid-market expansion and management buyout investments in New Zealand and Australia. The founding directors established Direct Capital in 1994 and are considered to be pioneers of private equity in New Zealand.

### Direct Capital Partners III

% of "PE"

Stratex	
Specialist in laminated plastic and foil packaging	0.5%
NZ King Salmon	
Salmon producer	4.5%
Fishpond	
Online retailer	0.3%

## Ironbridge

### IRONBRIDGE CAPITAL

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

Ironbridge Capital invests primarily in large management buy-out transactions in Australia and New Zealand working out of offices in Sydney and Auckland.

#### Ironbridge Capital 2003/4 Fund

% of "PE"

BBQSAM	
Operates the Barbeques Galore and Super A-Mart retail chains	3.0%

## NBC CAPITAL

Private Equity Investors

### NBC CAPITAL

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

Brisbane-based NBC Capital focused on small to medium sized management buy-outs and expansion capital opportunities, mostly drawn from the manager's Queensland deal-flow, across a range of industries.

#### NBC Private Equity Fund III

% of "PE"

Hi Tech Express	
Specialised freight service provider	0.6%
Layby Services Australia	
Christmas hamper provider	1.5%
Degani Australia	
Licensor of the Degani café chain	7.3%
Statseeker	
Designs, develops, sells, supports monitoring software	1.8%
Didasko Learning	
Vocational and higher education provider for IT sector	6.2%

## PEP

### PACIFIC EQUITY PARTNERS

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

PEP invests in large management buy-out opportunities in Australia and New Zealand. The PEP stable of funds started in 1998 and the investment team is Australia's largest private equity firm having closed its fifth fund with commitments in excess of \$2 billion.

#### Pacific Equity Partners Fund III

% of "PE"

Link Administration Holdings (ASX: LNK)	
Share registry and fund administration	9.8%

#### Pacific Equity Partners Fund IV

American Stock Transfer	
US share registry provider	3.4%



## QUADRANT PRIVATE EQUITY

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

Quadrant's focus is on medium sized management buy-outs and expansion capital opportunities in Australia and New Zealand. The Sydney-based team has a long record of success.

### Quadrant Private Equity No. 1

**% of "PE"**

Seniors Money International	
Reverse mortgages for the over 60s	2.2%



## WOLSELEY PRIVATE EQUITY

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

Wolseley Partners was established in 1999 as a Sydney-based firm providing consulting and advisory services. Its first private equity fund was established in 2005 focusing on controlling interests in mid-size unlisted manufacturing, distribution and services companies.

### Wolseley Partners Fund I

**% of "PE"**

Facade Access	
Manufactures building maintenance units for high rise	4.6%

### Wolseley Partners Fund II

Facade Access	
Manufactures building maintenance units for high rise	6.2%
Byron Group	
Manufactures ambulances & healthcare/aviation equip	1.6%
IVE Group (ASX: IGL)	
Commercial printing and related services	11.9%

## CO-INVESTMENTS

The portfolio has also included a few co-investments – direct investments in companies alongside a private equity manager with only one remaining.

**% of "PE"**

Vitaco Holdings (ASX: VIT)	
Supplier of nutritional supplements and alternative medicines	1.9%

# Directors' Report

The Directors present their report together with the financial report of IPE Limited (the Company) for the financial year ended 30 June 2016 and the auditor's report thereon.

## CORPORATE INFORMATION

### Corporate structure

IPE Limited is a company limited by shares that is incorporated and domiciled in Australia. It has no parent entity.

### Principal activities

The principal activity of the Company during the year was holding long-term investments in private equity funds. The Company began this activity after listing on the Australian Stock Exchange (ASX) on 25 November 2004.

### Employees

Until the date of this report, the Company has no employees because the functions of the Company are performed by the investment manager, Pomona Australia Pty Limited (the Manager), under the terms of a Management Agreement.

## DIRECTORS

The names and details of the Company's Directors in office during the year and until the date of this report are as follows:

### Geoff Brunsdon

Independent, Non-Executive Director and Chairman  
Appointment date: 3 February 2004

### Jon Schahinger

Managing Director  
Appointment date: 3 February 2004

### Tony Sims

Independent, Non-Executive Director  
Appointment date: 16 June 2016

### Don Stammer

Independent, Non-Executive Director  
Appointment date: 3 February 2004  
Resignation date: 16 June 2016

## Qualifications

The qualifications and experience of the Company's Directors in office during the financial year and until the date of this report are as follows:



**Geoffrey Brunsdon**  
BComm, FCA, FFINSA, FAICD  
**Independent and Non-Executive Director**  
(Chairman)

Geoff Brunsdon is Chairman of Sims Metal Management Limited, APN Funds Management Limited and MetLife Insurance Limited. He was previously Managing Director and Head of Investment Banking of Merrill Lynch International (Australia) Limited and is also involved in several non-profit organisations. Geoff was appointed a Director and Chairman of the Company on 3 February 2004 and is a member of the Audit and Compliance Committee.



**Jon Schahinger**  
BComm, CPA  
**Managing Director**

The Manager has made Jon Schahinger available to the Company as Managing Director. That role is to oversee the implementation of the Company's investment strategy and its administrative requirements. He is the Company's primary contact for its external relationships. Jon has responsibility for all aspects of the Manager's private equity operations and has a background in accounting, finance and investment. Jon has been in the funds management industry for over 25 years in both the listed and unlisted arenas. Jon was appointed Managing Director on 3 February 2004.



**Donald Stammer**  
MA (UNE), PhD (ANU)  
**Independent and Non-Executive Director**

Don Stammer has had a long and distinguished career in each of academia, central banking and investment banking and is one of Australia's best known economists. From 1972 until 1981 Don held senior positions, including deputy chief manager, at the Reserve Bank of Australia. From 1981 until 2001 he was Chief Economist/Director of Investment Strategy with Deutsche Bank (formerly Bain & Company). Don was Chairman of QVE Limited from 30 June 2014 to 14 June 2016, and has advisory roles with the Third Link Growth Fund and Altius Asset Management. He is a member of the investment committees of the National Children's Medical Research Institute and Redkite. Don was appointed a Director on 3 February 2004 and resigned effective 16 June 2016. He chaired the Audit and Compliance Committee during that time.



**Tony Sims**  
BA, FCA, FAICD  
**Independent and Non-Executive Director**

Tony is a professional Non Executive Company Director and has extensive experience on Financial Services, Investment Management and Superannuation Boards. He was a founding partner of PPB Advisory, a leading Australian Corporate Advisory, Restructuring and Insolvency Firm. Tony was appointed a Director of the Company on 16 June 2016 and is the current Chairman of the Audit and Compliance Committee.

### Company secretary

The Company Secretary in office during the year was Sam Jackson (appointed 21 March 2011). Sam is a member of the Institute of Chartered Accountants Australia and New Zealand and performs the functions of Chief Financial Officer of the Company. He is also Company Secretary and Chief Financial Officer of the Manager.

### Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

	Directors' Meetings		Audit & Compliance Committee Meetings	
	Held	Attended	Held	Attended
Geoff Brunsdon	6	6	4	4
Jon Schahinger*	6	6	-	-
Don Stammer	6	6	4	4
Tony Sims	1	1	-	-

\* Jon Schahinger is not a member of the Audit and Compliance Committee.

### Directors' interests

The relevant interest of each Director in the shares issued by the Company, as notified by the Directors to the ASX in accordance with S205(1) of the Corporations Act 2001, at the date of this report is as follows:

	Number of Ordinary Shares
Geoff Brunsdon	1,183,242
Jon Schahinger	900,000
Tony Sims	200,000

## CORPORATE GOVERNANCE STATEMENT

In recognising the need for high standards of corporate behaviour and accountability, the Directors of the Company support the principles of corporate governance issued by the ASX. The Company's corporate governance statement is contained in a later section of this annual report.

## REMUNERATION REPORT – AUDITED

This remuneration report outlines the Director and Executive remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, and may include any Director. For the purposes of this report, the term 'executive' encompasses the Managing Director only.

### Remuneration policy

The Company does not have a Remuneration Committee and it is not the intention of the Board to establish a Remuneration Committee at this stage. In the event that the Board deems it necessary, one will be established. Currently, only Independent Directors are paid Directors' fees by the Company. The amount that these Directors receive is assessed from time to time having regard for the estimated future workloads and responsibilities of the Independent Directors of the Company and prevailing market conditions. There is no link between remuneration paid to Directors and corporate performance.

## Compensation of Directors

From establishment, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related body corporate with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest, other than disclosed below:

	Short term benefits (\$)		Post employment benefits (\$)		Total remuneration (\$)	
	2016	2015	2016	2015	2016	2015
Geoff Brunsdon	45,000	60,000	-	-	45,000	60,000
Jon Schahinger	-	-	-	-	-	-
Don Stammer	21,927	31,950	2,083	3,050	24,010	35,000
Tony Sims	905	-	85	-	990	-
<b>Total compensation</b>	<b>67,832</b>	<b>91,950</b>	<b>2,168</b>	<b>3,050</b>	<b>70,000</b>	<b>95,000</b>

Acknowledging the gradual winding-down of the Company's activities, in the prior year the non-executive Directors decided to reduce their compensation. Consequently, the total remuneration for the 2016 financial year declined by more than 25% to \$70,000.

Under the current terms of the Company's constitution, the non-executive Directors as a whole may be paid or provided remuneration for their services, the total amount or value of which must not exceed an aggregate maximum of \$150,000 per annum.

No remuneration is paid by the Manager directly to any Director for services as a Director of the Company. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Company to the Directors as Key Management Personnel.

No Director has received a share based payment or other long term benefit during the year ended 30 June 2016 (2015: \$nil).

Other than the Directors and Company Secretary there were no executive officers.

## Movements in shares

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

Director	1 July 2015	Purchases	Sales	30 June 2016
Geoff Brunsdon	1,183,242	-	-	1,183,242
Jon Schahinger	1,000,000	-	100,000	900,000
Don Stammer	640,000	-	-	640,000
Tony Sims	-	200,000	-	200,000

Director	1 July 2014	Purchases	Sales	30 June 2015
Geoff Brunsdon	1,183,242	-	-	1,183,242
Jon Schahinger	1,000,000	-	-	1,000,000
Don Stammer	640,000	-	-	640,000

No shares were granted to key management personnel during the reporting period as compensation in 2015 or 2016.

### Other related parties

Contributions to superannuation funds on behalf of Directors are disclosed in the remuneration report.

1,183,242 shares are held by Jesena Pty Limited at balance date. Geoff Brunson is a Director of Jesena Pty Limited and has the power to influence the voting rights and disposal of its equity holdings.

900,000 shares are held by Schank Superannuation Fund at balance date. Jon Schahinger is a joint trustee of the superannuation fund, and has the power to influence the voting rights and disposal of its equity holdings.

200,000 shares are held by Unique Base Pty Limited at balance date. Tony Sims is a Director of Unique Base Pty Limited, and has the power to influence the voting rights and disposal of its equity holdings.

## MANAGEMENT AGREEMENT

### Management fee

In consideration for the services provided under the Management Agreement, the Manager is entitled to a management fee which is calculated on the last business day of each month and paid no less frequently than quarterly.

The management fee is charged at the rate of 0.85% per annum of the gross asset value of the portfolio.

### Performance fee

The Manager will be entitled to a performance fee calculated annually as at 30 November over three year rolling periods.

The fee payable is equal to 10% of any out-performance of the Portfolio over a benchmark which is the greater of:

- (a) the total return of the S&P/ASX 300 Accumulation Index over the calculation period plus 3% per annum; and
- (b) 25% over the calculation period.

As at 30 June 2016, no performance fee has been paid or become payable to the Manager (2015: \$Nil).

## REVIEW AND RESULTS OF OPERATIONS

During the reporting period the Company engaged in its principal activity - holding long term investments in private equity funds, the results of which are enclosed in the attached financial statements.

### Operating results for the year

The Company enjoyed another year of delivering significant levels of cash back to its shareholders with \$19.1 million paid out. Noteworthy events were:

- Payment of two capital returns totalling 7.25 cents per share.
- Payment of two dividends totalling 6.75 cents per share
- Outstanding commitments reduced to \$1.5 million.

The net profit after providing for income tax amounted to \$2.05 million (2015: profit of \$2.00 million).

See the "Operating and Financial Review" on pages 3 to 11 for more detailed information.

<b>Earnings per share for the reporting period based on the weighted average number of ordinary shares</b>	<b>2016</b>	<b>2015</b>
Basic earnings per share (cents per share)	1.50	1.46
Diluted earnings per share (cents per share)	1.50	1.46

### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company that occurred during the financial year.

### Cash returns to shareholders

Dividends and returns of capital paid or declared by the Company since the end of the previous financial year were:

<b>Declaration date</b>	<b>Cents per share</b>	<b>Total amount \$'000</b>	<b>Payment date</b>
<b>Dividends</b>			
28 Oct 2015	1.00	1,364	2 Dec 2015
20 Apr 2016	5.75	7,799	20 May 2016
<b>Returns of capital</b>			
28 Oct 2015	4.50	6,146	2 Dec 2015
20 Apr 2016	2.75	3,729	20 May 2016

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

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company.

### Likely developments

Subject to macro-economic conditions, continued exit activity should enable the Company to further deliver on its strategy of winding down the portfolio and returning cash to shareholders.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

### Indemnification

The Company has agreed to indemnify the Directors of the Company against all liabilities to another person (other than the Company) that may arise from their position as Directors of the Company, except where the liability arises out of conduct involving lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has not indemnified the current or former auditors of the Company.

### Insurance premiums

The Company paid insurance premiums of \$36,719 in respect of the Directors' liability and legal expenses insurance contracts, for current and former Directors of the Company for the period from 30 September 2015 to 30 September 2016. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

Disclosure of the limit of liability under the policy is prohibited under the terms of the insurance contract.

## NON-AUDIT SERVICES

The Company's auditor, Grant Thornton, is also contracted to perform tax advisory services in relation to the preparation and lodgement of the Company's annual tax return. The fee quoted for this service in relation to the 2016 financial year was \$9,350 including GST (2015: \$9,350).

The Board has considered the non-audit services provided during the year by the auditor and in accordance with a resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year by

the auditor is compatible with, and did not (or will not) compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity or objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics of Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 24.

## LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 18 and forms part of the Directors' report for the financial year ended 30 June 2016.

## ENVIRONMENTAL REGULATION

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

## ROUNDING

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports) effective 1 April 2016 and in accordance with that rounding instrument, amounts in the financial report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the Directors.



Geoff Brunsdon  
Chairman

Sydney  
19 August 2016

# Lead Auditor's Independence Declaration

## under S307C of the Corporations Act 2001



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### **Auditor's Independence Declaration To the Directors of IPE Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of IPE Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in black ink that reads "G S Layland".

G S Layland  
Director - Audit & Assurance

Sydney, 19 August 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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# Corporate Governance Statement

The Board of Directors of IPE Limited (the Board) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders, by whom they are elected and to whom they are accountable.

This Corporate Governance Statement has been set out in accordance with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 3<sup>rd</sup> Edition" (the Recommendations). In accordance with the Recommendations, the Corporate Governance Statement contains specific information disclosing the extent to which the Company has followed the guidelines during the year. Additionally, if the Company considers that a Recommendation is inappropriate to its particular circumstances, it has not adopted it. In such cases, that fact has been disclosed below, together with the reasons for non-adoption.

The Corporate Governance Statement is current as at balance date and has been approved by the Board of Directors.

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### 1.1 The respective roles and responsibilities of Board and Management

In lieu of senior executives and the duties delegated to them, a formal statement delegating authority to the Manager has been established, in the form of a Management Agreement, between the Company and the Manager, and appoints the Manager to:

- Invest and manage the portfolio in accordance with the terms of the Agreement; and
- Perform various administrative services such as preparing financial statements and assisting with communications and regulatory reporting.

The Management Agreement may be reviewed periodically to ensure its ongoing suitability. Any additional matters affecting the Company are discussed in full and dealt with by the Board when required.

The Company has adopted a Board Charter to more fully adhere to the Recommendations by formally documenting the Board's purpose and role, and the powers reserved to the Board. A copy of the Board Charter can be obtained by contacting the Registrar.

### 1.2 Appointment and candidacy of directors

The Board, as a whole, serves as a Nomination Committee. The composition of the Board is monitored (both in respect of size and membership) to ensure that the Board has a balance of skill and experience appropriate to the needs of the Company. When a vacancy exists, the Board will ensure that appropriate background checks and investigations are carried out in relation to any candidate. When directors are standing for election for the first time or standing for re-election the Board ensures that the relevant notices contain a sufficiency of information for shareholders to arrive at a well-considered decision. With the exception of the Managing Director, at least two Directors of the Board must retire and stand for re-election each year. As the Board currently consists of only three directors this means that the two non-executive directors must resign annually and can stand for re-election.

### 1.3 Written agreements with directors and senior executives

Each Director has been appointed under a written agreement between them and the Company. The Company has no executives as the management has been contracted under a separate Management Agreement.

### 1.4 Company secretary accountability to the Board

Each director has free access to the Company Secretary to ensure that the Board procedures and functions are performed efficiently and accurately, however the prime accountability of the company secretary to the Board is via the Chairman. Any change of company secretary is approved by the Board.

### 1.5 Diversity policy

As the Company has no employees it has not established a diversity policy but will take diversity into consideration when considering any changes to the composition of the Board. Currently there are no female Directors.

### 1.6 Evaluation of Board performance

An internal process for a formal performance evaluation of the Board, its committees and individual Directors is in place and the last evaluation was conducted in June 2016. The Board decided that a comprehensive externally-led process would not add any value to the operation of the Board, given the style of operations of the Company.

### 1.7 Evaluation of senior executive performance

The company has no senior executives to evaluate. However the performance of the Manager is discussed and assessed at the regular meetings of the Board and a process for a formal evaluation of the Manager is in place and undertaken on an annual basis and the last evaluation was conducted in June 2016.

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

### 2.1 Nomination committee

Given its current small size, the Board, as a whole, serves as a Nomination Committee. The composition of the Board is monitored (both in respect of size and membership) to ensure that the Board has a balance of skill and experience appropriate to the needs of the Company, including Board succession planning. When a vacancy exists, the Board will identify candidates with appropriate expertise and experience and appoint the most suitable person.

### 2.2 Board skills matrix

The skills, experience and expertise relevant to the position of each Director are included on page 13. Overall, the skills of the Board include the following key areas:

#### Area of expertise

Private equity fund investment	<input checked="" type="checkbox"/>
Investment strategy	<input checked="" type="checkbox"/>
Investment banking	<input checked="" type="checkbox"/>
Accounting & finance	<input checked="" type="checkbox"/>
Board experience	<input checked="" type="checkbox"/>
Corporate governance	<input checked="" type="checkbox"/>

### 2.3 Directors and independence

The Board consists of both independent and non-independent Directors. Directors of the Company are considered to be independent when they are independent of the Manager and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of Director independence “materiality” is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount, such as the total assets of the Company. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship, the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company’s obligations.

In accordance with the definition of independence above, and the materiality thresholds set, Geoff Brunson, Don Stammer and Tony Sims are considered to be independent.

The lengths of service relevant to the position of each Director are included on page 13.

### 2.4 Majority of Board to be independent

With a Board numbering three, two of whom are considered independent, the majority of the Board is made up of independent Directors.

### 2.5 Chair of board to be independent

The Chair of the Board is Geoff Brunson who is an independent Director.

### 2.6 Induction and professional development of directors

Directors have access to continuing education to update their skills and knowledge, including developments within the industry and the Company’s operating environment which are regularly discussed at Board meetings. Additionally, there is the opportunity for Board members to take independent professional advice, if necessary, at the Company’s expense. The Board will ensure that any new candidate for a Board position has the skills and knowledge needed to properly fulfil that function.

## PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

### 3.1 Code of conduct

The Company and its Board is committed to acting legally, ethically and responsibly.

While no separate, formal code of conduct exists, the Board Charter outlines the expectation of the Board, while carrying out its responsibilities and powers, to recognise its overriding duty and responsibility to act honestly, diligently, professionally, in accordance with the law and in the best interests of the Company's shareholders and other stakeholders.

In addition to the above, the continuing employment of all Company officers and the Manager's employees is dependent on compliance with the high standards of professionalism and integrity, as contained in their contracts of employment or letters of appointment.

A copy of the Board Charter can be obtained by contacting the Registrar.

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

### 4.1 Audit Committee

The Board has established an Audit and Compliance Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information, as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company to the Audit and Compliance Committee.

The Audit and Compliance Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The members of the Audit and Compliance Committee are the independent Directors.

Details of the qualifications of the members of the Audit and Compliance Committee can be found in the Directors' report.

In contrast to Recommendation 4.1, suggesting a membership of at least three, the Audit and Compliance Committee contains two members because there are only two independent Directors on the Board. The Audit and Compliance Committee and the Board believe that the current Audit and Compliance Committee structure is sufficient to be able to meet the requirements of its Charter.

For details on the number of meetings of the Audit and Compliance Committee held during the year and the attendees at those meetings, refer to page 14 of this financial report.

### 4.2 CEO and CFO declarations on financial statements

Prior to signing the Directors' Report and Directors' Declaration and adopting the annual financial statements, the Board receives assurances from the people performing the Chief Executive Officer and Chief Financial Officer functions of the Company. These assurances were received from:

- the Managing Director in his capacity as Chief Executive Officer of the Company; and
- the Chief Financial Officer of the Manager, who performs the Chief Financial Officer function for the Company.

These assurances are that the financial records of the Company have been properly maintained, the financial statements comply with the accounting standards, and that the financial statements and notes for the financial year give a true and fair view. In addition, they provide assurance that there is a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

### 4.3 Auditor to attend Annual General Meeting

The Company ensures that its external auditor, Grant Thornton, will have its relevant partner attend the annual general meeting to answer questions pertinent to the annual audit.

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

### 5.1 Policy on continuous disclosure obligations

The Company has provisions within its Board Charter requiring compliance with ASX Listing Rule disclosures. To meet these provisions, the Company ensures that all investors are kept up to date with any and all information in an equal and timely manner, by providing regular announcements to the Australian Securities Exchange and shareholders, and by posting up to date information onto the Company's website ([www.ipelimited.com.au](http://www.ipelimited.com.au)). The Board is careful to ensure that announcements are kept factual, clear and balanced at all times. Announcements generally take one of three forms:

- Monthly net tangible asset announcements which are released in line with a timetable published in the Company's Annual Report;
- Semi-annual and annual audited financial reports of the Company; and
- Ad-hoc releases whenever the Board considers it appropriate to advise investors of new developments within the Company or its portfolio.

The aim of the Board's continuous disclosure policy is fivefold:

- Keep current and potential investors abreast of the Company's activities and results;
- Reduce the possibility of the development of a false market in the Company's securities;
- Safeguard the confidentiality of corporate information to avoid premature disclosure;
- Provide a contact for media, analysts and shareholder queries; and
- Ensure compliance with the ASX listing rule disclosure requirements.

## PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

### 6.1 Providing information via a website

Up to date information can be accessed via the Company website, including but not limited to:

- Company strategy;
- Details of the investment portfolio;
- Information releases;
- Company policies and charters; and
- Company contact details.

The share registry website also includes useful online tools, such as enabling the electronic submission of annual report communication elections and accessing a shareholder's own relevant information.

### 6.2 Investor relations program

In the interest of promoting investor confidence, the Company promotes a culture where trading in its shares can proceed in an efficient and informed market. Although the Company does not have a formal investor relations program, normal Company practice is to disclose to shareholders (electronically and when required, by other means of communication) all relevant information on a timely basis, in such a way as not to affect market sensibility or commit a breach of any confidentiality clauses. The Company's Manager promptly responds to any shareholder queries and is available for meetings on request.

### 6.3 Shareholder participation at meetings

Notice of meetings are released to shareholders in good time, to ensure that as many shareholders as possible have the opportunity to attend. The format of meetings is designed to promote opportunities for investors to raise issues and ask questions however at other times of the year, investors also have the opportunity to raise issues or questions of Directors or the Manager via the contact details on the Company's website.

### 6.4 Shareholder communication options

All shareholders are provided a number of options for their receipt of communications from the Company and their choices are able to be updated by traditional written advice or electronically. The share registry website includes useful online tools, such as enabling the electronic submission of annual report and other communication elections and accessing a shareholder's own relevant information.

## **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

### **7.1 Risk management committee**

The Company does not have a designated Risk Committee because the Board as a whole serves as the Risk Committee.

As much of the management of the Company has been delegated to the Manager, the Manager is obliged to maintain adequate internal risk management objectives, policies and procedures to manage the Company's material business risks and provides the Board with a report setting out such risks and advising whether those risks are being managed effectively. These risks include financial risks such as market risk, credit risk and liquidity risk, as well as operational risks such as those in connection with the internal control framework and disaster planning.

Operational risk is primarily handled by the Manager, although the responsibility remains with the Board who may review and assess the findings of any internal and external reviews of the Manager's systems.

The policies and objectives surrounding the principal financial risks facing the Company have been outlined in Note 6 "Financial risk management", together with details of the controls surrounding these risks.

### **7.2 Review of risk management framework**

The Board regularly reviews the major risks that the company faces and the monthly report from the Manager to the Board includes risk management reporting. Time is set aside annually for an in-depth Board discussion about the continuing adequacy of the risk management framework.

### **7.3 Internal audit function**

Given the Company's size and style of operations it does not have an internal audit function. The Company's operations are relatively simple and the Board believes it adequately monitors the effectiveness of the risk management processes and the internal control processes of Company and the Manager through its normal operating, reporting and oversight processes and through the various reports and reviews of the external auditor.

### **7.4 Material exposure to economic, environmental and social sustainability risks**

The Company's only activity is investing in a portfolio of private equity funds. While still reasonably diversified in its investment exposure the Company is exposed to the typical economic risks faced by such investment. A sensitivity analysis of these risks is shown in Note 19.

There are no direct environmental or social sustainability risks.

## **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

### **8.1 Remuneration committee**

Due to the small number of Company officers it is not the intention of the Board to establish a Remuneration Committee at this stage. In the event that the Board deems it necessary, one will be established. No individual Director is directly involved in deciding his own remuneration.

### **8.2 Remuneration policies and practices**

Presently, only the two independent Directors receive any remuneration from the Company because the non-independent Director is remunerated by the Manager. Under the current terms of the Company's constitution, the non-executive Directors as a whole may be paid or provided remuneration for their services, the total amount or value of which must not exceed an aggregate maximum of \$150,000 per annum. There is no link between remuneration paid to Directors and corporate performance.

Geoff Brunsdon, Don Stammer and Tony Sims were remunerated by fees for an aggregate amount of \$70,000 per annum in 2016 (2015: \$95,000). All Directors' payments are inclusive of committee fees and superannuation, and do not include any retirement benefits other than superannuation contributions made as part of those fees. For details on the breakdown of the Directors' remuneration, refer to pages 14 and 15.

The Company pays the Manager fees under the Management Agreement. A summary of those fees is set out in Note 22 "Related Parties".

### **8.3 Equity-based remuneration**

The Company has no equity-based remuneration scheme.

# Statement of financial position

<b>As at 30 June</b>	<b>Note</b>	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	11a	1,035	4,854
Receivables	12	15	157
Prepayments	13	9	11
<b>Total current assets</b>		<b>1,059</b>	<b>5,022</b>
<b>NON-CURRENT ASSETS</b>			
Unlisted private equity investments	14	28,898	39,355
Deferred tax assets	15	23	2,680
<b>Total non-current assets</b>		<b>28,921</b>	<b>42,035</b>
<b>Total assets</b>		<b>29,980</b>	<b>47,057</b>
<b>CURRENT LIABILITIES</b>			
Payables	16	108	137
Current tax liabilities	15	968	778
<b>Total current liabilities</b>		<b>1,076</b>	<b>915</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	15	1	3
<b>Total non-current liabilities</b>		<b>1</b>	<b>3</b>
<b>Total liabilities</b>		<b>1,077</b>	<b>918</b>
<b>Net assets</b>		<b>28,903</b>	<b>46,139</b>
<b>EQUITY</b>			
Issued capital	17	50,253	60,372
Accumulated losses		(21,350)	(14,233)
<b>Total equity</b>		<b>28,903</b>	<b>46,139</b>

The above Statement of financial position should be read in conjunction with the accompanying notes to the financial statements set out on pages 28 to 50.

# Statement of profit or loss and other comprehensive income

For the year ended 30 June	Note	2016 \$'000	2015 \$'000
<b>REVENUE</b>			
Dividends and distributions received		5,485	9,297
Increase in net market value of financial assets held at fair value through profit or loss		1,086	-
<b>Total revenue</b>		<b>6,571</b>	<b>9,297</b>
<b>EXPENSES</b>			
Decrease in net market value of financial assets held at fair value through profit or loss		-	(5,859)
Management fees	22	(357)	(425)
Directors' fees		(70)	(95)
Other expenses	8	(1,084)	(307)
<b>Total expenses</b>		<b>(1,511)</b>	<b>(6,686)</b>
<b>Results from operating activities</b>		<b>5,060</b>	<b>2,611</b>
<b>FINANCE INCOME AND EXPENSES</b>			
Finance income	9	118	151
Finance costs	9	-	(33)
<b>Net finance income</b>		<b>118</b>	<b>118</b>
<b>Profit before income tax</b>		<b>5,178</b>	<b>2,729</b>
Income tax expense	10	(3,130)	(732)
<b>Profit for the period</b>		<b>2,048</b>	<b>1,997</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>2,048</b>	<b>1,997</b>
<b>EARNINGS PER SHARE (EPS)</b>			
EPS based on the weighted average number of ordinary shares (cents per share)			
Basic and diluted earnings per share for the year	18	1.50	1.46

The above Statement of profit or loss and comprehensive income should be read in conjunction with the accompanying notes to the financial statements set out on pages 28 to 50.

# Statement of changes in equity

<b>For the year ended 30 June 2016</b>	<b>Issued Capital \$'000</b>	<b>Ret. Earn./ (Accum. Losses) \$'000</b>	<b>Total \$'000</b>
At 30 June 2015	60,372	(14,233)	46,139
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			
Profit or loss	-	2,048	2,048
Other comprehensive income for the period	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>2,048</b>	<b>2,048</b>
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY			
Shares bought back on market	(243)	-	(243)
Dividends provided for or paid	-	(9,165)	(9,165)
Return of capital provided for or paid	(9,876)	-	(9,876)
<b>Total transactions with owners</b>	<b>(10,119)</b>	<b>(9,165)</b>	<b>(19,284)</b>
<b>Total equity at 30 June 2016</b>	<b>50,253</b>	<b>(21,350)</b>	<b>28,903</b>

<b>For the year ended 30 June 2015</b>	<b>Issued Capital \$'000</b>	<b>Ret. Earn./ (Accum. Losses) \$'000</b>	<b>Total \$'000</b>
At 30 June 2014	67,542	(9,741)	57,801
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			
Profit or loss	-	1,997	1,997
Other comprehensive income for the period	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>1,997</b>	<b>1,997</b>
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY			
Dividends provided for or paid	-	(6,489)	(6,489)
Return of capital provided for or paid	(7,170)	-	(7,170)
<b>Total transactions with owners</b>	<b>(7,170)</b>	<b>(6,489)</b>	<b>(13,659)</b>
<b>Total equity at 30 June 2015</b>	<b>60,372</b>	<b>(14,233)</b>	<b>46,139</b>

The above Statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements set out on pages 28 to 50.

# Statement of cash flows

<b>For the year ended 30 June</b>	<b>Note</b>	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Dividends and distributions received		5,615	10,501
Interest received		128	157
Income tax paid		(287)	(1,581)
Payments to suppliers and directors		(1,539)	(921)
<b>Net cash flows from operating activities</b>	<b>11b</b>	<b>3,917</b>	<b>8,156</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of unlisted private equity investments		3,473	150
Proceeds from capital returned on unlisted private equity investments		8,365	8,099
Calls paid for unlisted private equity investments		(327)	(2,652)
Proceeds of loans to shareholders of co-investments		37	139
<b>Net cash flows from investing activities</b>		<b>11,548</b>	<b>5,736</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments for shares bought back on market		(243)	-
Capital returns paid		(9,876)	(12,633)
Dividends paid		(9,165)	(6,489)
<b>Net cash flows used in financing activities</b>		<b>(19,284)</b>	<b>(19,122)</b>
<b>Net decrease in cash and cash equivalents held</b>		<b>(3,819)</b>	<b>(5,230)</b>
Add opening cash and cash equivalents brought forward		4,854	10,084
<b>Cash and cash equivalents at end of the period</b>	<b>11a</b>	<b>1,035</b>	<b>4,854</b>

The above Statement of cash flows should be read in conjunction with the accompanying notes to the financial statements set out on pages 28 to 50.

# Notes to the financial statements

## 1. REPORTING ENTITY

IPE Limited (the "Company") is a Company domiciled in Australia. The address of the Company's registered office is Level 9, 1 Castlereagh Street Sydney, NSW 2000.

The nature of the operations and principal activities of the Company are managing long-term investments in private equity funds.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB). IPE Limited is a for-profit entity for the purpose of preparing financial statements.

The financial statements were authorised for approval by the Board of Directors on 19 August 2016.

### (b) Basis of measurement

The financial report has been prepared on a historical cost basis, except for financial assets held at fair value through profit or loss which have been measured at fair value. The methods used to measure fair values are discussed further in note 5.

### (c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/ Directors' Reports) effective 1 April 2016 and in accordance with that rounding instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 5: Determination of fair values;
- Note 15: Tax assets and liabilities;
- Note 19: Financial instruments; and
- Note 20: Capital and other commitments.

### (e) Overview of changes to accounting policies

The Company did not change its accounting policies during the year ended 30 June 2016.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### (a) Foreign currency translations

Transactions in foreign currencies are translated to Australian dollars at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are retranslated to Australian dollars at the foreign currency rate at that date with any differences between the weighted average cost of foreign currency and the balance at reporting date being taken to profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Australian dollars at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

### (b) Non-derivative financial assets

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss, cash and cash equivalents and receivables.

(i) Recognition and derecognition of non-derivative financial assets

The Company initially recognises receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

If the Company has the legal right to offset financial asset and liability amounts and intends either to settle on a net basis or realise the asset and settle the liability simultaneously, these amounts are not offset. The gross amounts of these offsetting assets and liabilities are presented separately in the Statement of Financial Position.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

(ii) Non-derivative financial assets

Financial assets at fair value through profit or loss

All investments held by the Company are measured at fair value through profit or loss. This includes all investments.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of 3 months or less.

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest rate method.

Receivables comprise accrued interest, amounts receivable from the tax authorities and distributions receivable from unlisted private equity investments.

(c) Non-derivative financial liabilities

The Company initially recognises loans and borrowings on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. If the Company has the legal right to offset financial asset and liability amounts and/or intends either to settle on a net basis or realise the asset and settle the liability simultaneously, these amounts have not been offset. The gross amounts of these offsetting assets and liabilities are presented separately in the Statement of Financial Position.

The Company has the following non-derivative financial liabilities: loans and borrowings and trade and other payables. Such financial liabilities are recognised initially at fair value excluding any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(d) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(e) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of investments

Revenue is recognised when the significant risks and rewards of ownership of the investments have passed to the buyer and can be measured reliably. Risks and rewards from unlisted private equity investments are considered to be passed to the buyer at the date the sale of the investment is settled, and the amount of the proceeds have been advised to the Company by the investment manager.

(ii) Financial assets at fair value through profit or loss

The net realised and unrealised movements in the values of the Company's financial assets at fair value through profit or loss during the year are recognised in profit or loss.

(iii) Dividends and distributions

Distributions from private equity investments are brought to account when the Company becomes entitled to the distribution and the amount can be measured reliably, which is ordinarily at the time it is received. Unlisted trust distributions are brought to account on a "present entitlement" basis at which time an adjustment is made to the fair value of the trust.

(iv) Foreign currency gains and losses

Foreign currency gains and losses are reported on a net basis.

**(f) Finance income and finance costs**

(i) Finance income

Finance income includes interest income on funds invested. Interest revenue is recognised as it accrues in profit or loss using the effective interest method.

(ii) Finance costs

Finance costs comprise interest expense on borrowings and fees in association with any debt finance facility. Finance costs are recognised as they accrue in profit or loss using the effective interest method. Where fees represent a prepayment for a period ending after balance date, a corresponding prepayment has been recognised in the Statement of Financial Position.

**(g) Income tax**

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company falls below the Taxation of Financial Arrangements ("TOFA") thresholds and therefore TOFA does not apply. The Company has not voluntarily elected to apply TOFA.

**(h) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables, prepayments and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority shall be classified as operating cash flows.

**(i) Earnings per share (EPS)**

The Company presents basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**(j) Segment reporting**

The Company determines and presents operating segments based on the information that is provided internally to the Managing Director, who is the Company's chief operating decision maker. The accounting policy in respect of segment operating disclosures is presented as follows:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues or incur expenses. An operating segment's operating results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise:

- (i) Non-segment revenue (interest received on cash float);
- (ii) Corporate expenses (such as ASX related expenses and fees for corporate services such as audit, tax review and registry); and
- (iii) Non-segment assets (cash float, income tax assets and liabilities, and other receivables).

#### (k) Presentation of financial statements

The Company applies revised AASB 101: "Presentation of Financial Statements". As a result, the Company presents in the Statement of Changes in Equity all owner changes in equity, whereas all non-owner changes in equity are presented in the Statement of Profit or Loss and Other Comprehensive Income.

#### (l) New standards adopted

(i) AASB 2015-2 Amendments to AASB 101 – Presentation of Financial Statements arising from the IASB's Disclosure Initiative Project

These amendments address presentation of disclosure of information in the financial statements.

The amendments:

- Clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information;
- Clarify that AASB 101's specified line items in the statement(s) of profit and loss and other comprehensive income and the statement of financial position can be disaggregated;
- Add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position;

- Clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order; and
- Remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy.

The adoption of these amendments has not had a material impact on the Company as they are largely of the nature of clarification of existing requirements.

(ii) AASB 2015-1 Amendments to Australian Accounting Standards - Annual improvements to Australian Accounting Standards 2012 – 2014 Cycle)

Part A of AASB 2015-1 makes amendments to 1 July 2015 various Australian Accounting Standard arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standard Annual Improvements to IFRS 2012 - 2014 Cycle.

The adoption of these amendments has not had a material impact on the Company as they are largely of the nature of clarification of existing requirements.

#### (m) New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company. Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

Certain other new standards and interpretations have been issued as follows:

(i) AASB 9 Financial Instruments (December 2014)

This Standard introduces new requirements for the classification and measurement of financial assets and liabilities to improve and simplify the approach compared with the requirements of AASB 139.

The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 30 June 2019 however based on the Company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

(ii) AASB 2015 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue and some revenue related interpretations.

The entity has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 30 June 2019 however based on the Company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

#### 4. CHANGE IN ACCOUNTING POLICY

The Company did not early adopt any standards in the current financial year.

The Company did not change any accounting policies during the current financial year.

#### 5. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value for its financial assets. Fair values have been determined for measurements and /or disclosure purposes based on the methods outlined below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Unlisted private equity investments are initially recognised at cost, being the fair value of the consideration given. Associated acquisition charges are included in the cost.

For unlisted private equity investments, where there is no quoted market price, investments are valued according to the differing structures of these type of investments that the Company owns: private equity trust units are valued based on a unit price provided by the manager, while Venture Capital Limited Partnerships (VCLP) and direct private equity investments are valued using a "proportionate" value provided by the partnership or direct investment based on the Company's share of VCLP assets or company assets. The unit prices and "proportionate" values are calculated from the proportion of the total net asset values of the trust, partnership or company which is owned by the Company at balance date.

The value of the net assets of a fund, partnership or company is based on valuations of the diversified portfolio of investment assets and liabilities within that

entity, which are calculated by the manager of that entity using valuation techniques that they deem appropriate. Valuation techniques may involve methods such as price/earnings analysis or discounted cash flow techniques. All valuation methods require assumptions to be made, for example, the estimation of future cash flows, multiples which would be paid on earnings in the market or discount rates. These assumptions are made by the managers, partnerships and direct investment entities and are not made by the Company.

#### 6. FINANCIAL RISK MANAGEMENT

##### Overview

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Credit risk

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

##### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors and the Manager are responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company and Manager, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all personnel understand their roles and obligations.

##### Market risk

Market risk is the combined underlying risks of any investment by the Company. In relation to the Company, market risk comprises market price risk, foreign currency risk and interest rate risk.

(i) Market price risk

Market price risk is the risk that value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The major risk to the Company in relation to the private equity investments is that a prolonged drop in market values may lead to lower profits (or losses) in the short term. Risks may also include an underlying investment not being able to reach its full potential in a timely manner or at all, which would cause a delay or a decrease in the expected cash flows to the Company. The likelihood of such an event is considered periodically by the Manager and the findings are reviewed by the Board. Consideration procedures include, but are not limited to, the review of regular reports from the managers, direct correspondence with the manager, and information provided with monthly unit price advices which explain any price movement of the fund, partnership or investment.

The portfolio of underlying investments is still reasonably diversified and now relatively mature. Most of the portfolio funds are in the phase of their life cycles where they are seeking to dispose of investments so the portfolio will start to lose the benefits of diversification as more of those sale processes are finalised. Consequently, market price risk is like to create greater volatility in the value of the portfolio in the future.

(ii) Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in exchange rates.

As at 30 June 2016, the Company has several direct investments denominated in New Zealand dollars ("NZD"). As a result of these investments, the Company's balance sheet and profit or loss can be affected by movements in the NZD/AUD exchange rates.

Relevant exchange rates and their effect on the Company's financial instruments are monitored by the Manager, and if deemed appropriate or necessary, the terms of the investment management agreement allow foreign currency hedging to be undertaken using derivatives. The Company does not currently hedge its exposure to foreign currency.

The Company has a foreign currency exposure to capital commitments made to an overseas private equity firm for amounts which may be called in the future (refer to Note 19). The timing and extent of these calls cannot be predicted at the date of this report because money is called as and when it is required by the foreign investment fund. As at the end of the financial year, the Company has one capital commitment to a foreign investment fund being Direct Capital Partners, with an uncalled commitment of NZD \$131,311 (AUD \$125,608) (2015: NZD \$206,830 (AUD \$184,786)).

(iii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's direct exposure to interest rate risk is related to its cash holdings, and in the prior year, to the finance facility. The Company's cash holdings are held on a floating interest rate basis, while the finance facility was a bill facility and was exposed to the interest rate changes on the date that the bill matures if it was rolled over for a subsequent period at that date.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations by their due date, due to a lack of cash accessible by the Company. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's liquidity comprises its cash at bank.

The Company's liquidity requirements include the Company's day to day running costs and expenditures such as the amounts payable to its trade creditors and the amounts to which the Company is committed to pay to its unlisted private equity investments which are paid on a "drawdown" basis.

All of the private equity funds in the portfolio completed their investment programs in prior years so future drawdowns are likely to be for modest amounts and portions of the undrawn commitments may be cancelled as future requirements become more certain. The Company's unpaid private equity commitments are no longer considered quantitatively material (refer Notes 19 and 20), however the Manager and the Board continue to devote time to ensuring that the Company will be able to meet its investment obligations.

(v) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company trades only with reputable, creditworthy third parties and as such collateral is not requested nor is it the Company's policy to securitise its receivables.

The Company does not have any material credit risk to any single debtor or group of debtors.

All amounts are receivable in Australian Dollars and are not past due or considered impaired.

(vi) Capital management

The Board's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future capital requirements of the business. The Board of Directors aims to maintain capital at a point that ensures that the Company continues as a going concern whilst maintaining optimal returns to shareholders.

The Board does not currently have any plans to issue further shares on the market.

The Board introduced an on-market buy-back during the year, whereby the Company will repurchase its shares where opportunities exist to have an accretive impact on the net tangible asset backing per share.

The Company is not subject to externally imposed capital requirements.

## 7. OPERATING SEGMENTS

The Company has one operating segment: Investments in Private Equity. For this segment, the Managing Director reviews internal management reports in relation to the Company's private equity investments on at least a monthly basis.

Information regarding the results of the Company's reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Company's Managing Director.

Comparative segment information has been represented in conformity with the requirement of AASB 8: "Operating Segments".

Reportable segment information

In thousands of AUD	Private Equity Investment Segment	
	2016	2015
External revenues	6,571	9,297
Reportable segment profit before income tax	5,414	3,001
Reportable segment assets	28,908	39,495
Reportable segment liabilities	-	-

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities and other material items

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
<b>REVENUES</b>		
Total revenue for reportable segment	6,571	9,297
<b>Total revenue</b>	<b>6,571</b>	<b>9,297</b>
<b>PROFIT OR LOSS</b>		
Total profit for reportable segment	5,414	3,001
Unallocated amounts:		
Other corporate expenses	(236)	(272)
<b>Profit before income tax</b>	<b>5,178</b>	<b>2,729</b>
<b>ASSETS</b>		
Total assets for reportable segment	28,908	39,495
Other assets	1,072	7,562
<b>Total assets</b>	<b>29,980</b>	<b>47,057</b>
<b>LIABILITIES</b>		
Total liabilities for reportable segment	-	-
Other liabilities	1,077	918
<b>Total liabilities</b>	<b>1,077</b>	<b>918</b>

Geographical segments

The Company's investments are domiciled in Australia and New Zealand (2015: Australia and New Zealand).

In presenting information on the basis of geographical segments, segment revenue and assets are based on the geographical location of investments.

Geographical information

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
<b>REVENUES</b>		
Australia	3,793	9,291
New Zealand	2,778	6
<b>Total revenue</b>	<b>6,571</b>	<b>9,297</b>
<b>NON-CURRENT ASSETS</b>		
Australia	27,513	37,306
New Zealand	1,385	2,049
<b>Total non-current assets</b>	<b>28,898</b>	<b>39,355</b>

## 8. OTHER EXPENSES

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
Audit fees	67	77
Fees paid to Direct Capital Partners*	848	35
Registry fees	58	77
Sundry expenses	111	118
<b>Total other expenses</b>	<b>1,084</b>	<b>307</b>

\* The Company's interest in Direct Capital Partners III is via a structure that is different to other funds in the portfolio. As a consequence, the Company brings to account certain fees and expenses associated with the DCP III investment. In other portfolio funds such costs are paid out of those funds and are not directly recorded in the Company's accounts. In the current year a performance fee became payable to Direct Capital Partners.

## 9. FINANCE INCOME AND FINANCE COSTS

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
Interest received	118	151
<b>Total finance income</b>	<b>118</b>	<b>151</b>
Facility fees in relation to debt financing facility	-	(33)
<b>Total finance expenses</b>	<b>-</b>	<b>(33)</b>
<b>Net finance income recognised in profit or loss</b>	<b>118</b>	<b>118</b>

## 10. INCOME TAX EXPENSE

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
<b>CURRENT TAX EXPENSE</b>		
Current period	1,100	833
Adjustment for prior periods	(623)	(603)
<b>DEFERRED TAX BENEFIT</b>		
Origination and reversal of temporary differences	2,653	502
<b>Total income tax expense</b>	<b>3,130</b>	<b>732</b>

RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX ACCOUNTING PROFIT		
Profit for the period	2,048	1,997
Total income tax expense	3,130	732
<b>Profit excluding income tax</b>	<b>5,178</b>	<b>2,729</b>
Income tax using the Company's tax rate of 30% (2015: 30%)	1,553	819
Permanent and temporary differences in relation to deferred and current income and expenditure	695	581
Impairment of deferred tax asset	1,506	-
Gross up of income due to franking credits received	1	28
Franking credit rebate	(2)	(93)
Net effect on Australian income of foreign income received and foreign taxes paid	-	-
Over provision in prior years	(623)	(603)
<b>Income tax expense reported in income statement</b>	<b>3,130</b>	<b>732</b>
<b>Applicable weighted average effective tax rates</b>	<b>60%</b>	<b>27%</b>

The increase in the weighted average effective tax rate for 2016 is primarily the result of impairment of the deferred tax asset.

## 11A. CASH AND CASH EQUIVALENTS

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
Cash at call	1,035	3,054
Term deposits	-	1,800
<b>Cash and cash equivalents in the Statement of cash flows</b>	<b>1,035</b>	<b>4,854</b>

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 19.

## 11B. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
Profit for the period	2,048	1,997
ADJUSTMENTS FOR:		
Change in fair value of investments classified as fair value through profit or loss	(1,086)	5,882
Foreign exchange gain on NZD shareholder loans	(5)	(43)
<b>Operating profit before changes in working capital</b>	<b>957</b>	<b>7,836</b>
CHANGES IN WORKING CAPITAL		
Decrease in dividends receivable	130	1,205
Decrease in interest receivable	10	7
Decrease in other receivables	2	3
Decrease in non-equity prepaid expenses	2	3
Decrease in deferred tax assets	2,657	504
Decrease in payables	(29)	(49)
Increase/(decrease) in tax provision	190	(1,351)
Decrease in deferred income tax liability	(2)	(2)
<b>Net cash from operating activities</b>	<b>3,917</b>	<b>8,156</b>

## 12. RECEIVABLES

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
Dividends/distributions receivable	10	140
Interest receivable	-	10
Other receivables	5	7
<b>Total trade and other receivables</b>	<b>15</b>	<b>157</b>

The Company's exposure to credit, currency and interest rate risks related to trade and other receivables is disclosed in Note 19.

## 13. PREPAYMENTS

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
Prepaid insurance expenses	9	11
<b>Total prepayments</b>	<b>9</b>	<b>11</b>

The Company does not have an exposure to credit, currency or interest rate risks in relation to its prepayments.

## 14. UNLISTED PRIVATE EQUITY INVESTMENTS

In thousands of AUD	2016	2015
NON-CURRENT INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS		
Unlisted private equity investments	28,898	39,355
<b>Total unlisted private equity investments</b>	<b>28,898</b>	<b>39,355</b>

The Company's exposure to market and currency risks related to unlisted private equity investments is disclosed in Note 19.

## 15. TAX ASSETS AND LIABILITIES

### Recognised deferred tax assets and liabilities

In thousands of AUD	Balance Sheet		Profit or Loss	
	2016	2015	2016	2015
DEFERRED INCOME TAX ASSETS				
Accrued expenses	23	22	1	(19)
Revaluations of unlisted private equity investments	4,856	6,005	(1,149)	1,412
Impairment of deferred tax asset	(4,856)	(3,350)	(1,506)	(1,900)
Exchange losses on foreign cash	-	3	(3)	3
<b>Gross deferred income tax assets</b>	<b>23</b>	<b>2,680</b>		
GROSS DEFERRED INCOME TAX ASSETS				
Accrued interest	-	(3)	(3)	(2)
Exchange gains on foreign cash	(1)	-	(1)	-
<b>Gross deferred income tax liabilities</b>	<b>(1)</b>	<b>(3)</b>		
Deferred tax expense			(2,661)	(506)

### Deferred tax assets

The deferred tax asset balance of \$23,305 is recognised in the Statement of financial position of the Company as at 30 June 2016 (2015: \$2.680 million). It is due to future tax benefits to the Company upon payment of the accrued expenses which have been incurred at balance date.

Prior to this financial year, the majority of the balance was due to the current fair value of the financial investments in private equity investments funds being below cost value. As in prior years, the Board reviewed the likelihood of the Company recouping the full amount of deferred tax asset. Among other factors, the Board considered the age of the portfolio, the number of recent exits from the Company's underlying portfolio, the remaining investments and fund managers and the eventual wind-up of the Company. Following careful consideration of these factors, the Board reduced this component of the deferred tax asset to nil (\$0) because it has doubts about the extent of the possible net uplift potential in the portfolio over the residual life of the Company, the timing of future realisations and subsequent terminations of the funds in the portfolio. The impairment amount was \$1.506 million which is included in the net tax expense in the Statement of profit and loss and other comprehensive income and shown in Notes 10 and 15 above.

The total amount of unrealised capital losses which have not been brought to account as at balance date are \$4.856m (2015: \$3.350m).

### Current tax liabilities

In thousands of AUD	2016	2015
Opening balance	778	2,129
Charged to income	1,100	833
Adjustment in respect of prior years	(623)	(603)
Payments of tax during the year	(287)	(1,581)
<b>Total current tax liability</b>	<b>968</b>	<b>778</b>

### 16. PAYABLES

In thousands of AUD	2016	2015
Related party payables (refer Note 22)	23	35
Trade and other payables	85	102
<b>Total payables</b>	<b>108</b>	<b>137</b>

The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 19.

### 17. CAPITAL AND RESERVES

#### Share Capital - Ordinary shares issued and fully paid

In thousands of AUD	2016	2015
Beginning of the year	60,372	67,542
Share buy-back	(243)	-
Capital return	(9,876)	(7,170)
<b>Total contributed equity at 30 June</b>	<b>50,253</b>	<b>60,372</b>

#### Number of Shares

In thousands	2016	2015
On issue at the beginning of the year	136,571	136,571
Bought back on market and cancelled	(927)	-
Issued during the year	-	-
<b>Total shares on issue</b>	<b>135,644</b>	<b>136,571</b>

#### Issuance of ordinary shares

There were no shares issued during the year (2015: nil).

During the year, no shares were issued as a result of exercising of options (2015: nil).

#### On market share buy back

On 28 October 2015, the Company announced a share buy-back of up to 10% of the capital of the Company (13.7 million shares). To date the Company has purchased 927,103 shares for \$242,707.

#### Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

There are currently no share options on issue.

#### Dividends and capital returns

The following dividends and capital returns were declared and paid by the Company:

<b>2016</b>	<b>Cents per share</b>	<b>Total amount (\$'000)</b>	<b>Payment date</b>
Capital return declared 28 October 2015	4.50	6,146	2 December 2015
Dividend declared 28 October 2015	1.00	1,364	2 December 2015
Capital return declared 20 April 2016	2.75	3,729	20 May 2016
Dividend declared 20 April 2016	5.75	7,799	20 May 2016
	<b>14.00</b>	<b>19,038</b>	

<b>2015</b>	<b>Cents per share</b>	<b>Total amount (\$'000)</b>	<b>Payment date</b>
Capital return declared 15 August 2015	3.50	4,782	16 September 2014
Dividend declared 29 October 2014	3.00	4,097	4 December 2014
Capital return declared 16 March 2015	1.75	2,390	14 April 2015
Dividend declared 16 March 2015	1.75	2,390	14 April 2015
	<b>10.00</b>	<b>13,659</b>	

The Company's dividend reinvestment plan has been suspended.

No dividends or capital returns have been declared since the end of the financial year.

#### Dividend franking account

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
30% franking credits available to shareholders of the Company for subsequent financial years		
Balance at the end of the reporting period	173	99
Franking credits that will arise from the payment of the amount of provision for income tax	968	778
	1,141	877

The ability to utilise franking credits is dependent upon there being sufficient available profits and liquidity to declare dividends.

#### Listed investment company (LIC) capital gain account

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
Opening balance of the LIC capital gain account	42	633
Prior period adjustment	21	2,892
Impact on the LIC capital gain account of the dividends paid or declared during the year	-	(3,483)
	63	42
<b>This equates to an attributable amount of</b>	<b>90</b>	<b>61</b>

LIC Capital gains available for distribution are dependent upon the disposal of investment portfolio holdings which qualify for LIC capital gains and the receipt of LIC distributions from VCLP securities held in the investment portfolio.

Due to the LIC capital gain rules and the Company's shrinking portfolio, there is doubt as to whether any significant LIC gains will be generated in the future.

## 18. EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic earnings per share at 30 June 2016 was based on the profit attributable to ordinary shareholders of \$2,047,905 (2015: profit of \$1,996,631) and a weighted average number of ordinary shares outstanding of 136.159 million shares (2015: 136.571 million), calculated as follows:

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
Profit attributable to ordinary shareholders	2,048	1,997
<b>Shares</b>		
<b>In thousands</b>	<b>2016</b>	<b>2015</b>
Issued ordinary shares at 1 July	136,571	136,571
Shares cancelled during the year	(412)	-
Shares issued during the year	-	-
<b>Weighted average number of ordinary shares at 30 June</b>	<b>136,159</b>	<b>136,571</b>

### Diluted earnings per share

During the year, there were no dilutive potential ordinary shares on issue; therefore there is no difference between basic earnings per share and diluted earnings per share (2015: No difference).

## 19. FINANCIAL INSTRUMENTS

### Market price risk

#### Exposure to market price risk

The carrying amount of the Company's financial assets represents the maximum risk exposure. The Company's maximum exposure to market price risk was \$28,897,465 (2015: \$39,355,734) for unlisted private equity investments.

#### Sensitivity to market price risk

A 10% movement in the value of the Company's investments would have increased/ (decreased) equity and profit or loss after tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2015.

<b>In thousands of AUD</b>	<b>Equity 2016</b>	<b>Equity 2015</b>	<b>Profit or loss 2016</b>	<b>Profit or loss 2015</b>
Private equity investments +10%	2,023	2,755	2,023	2,755
Private equity investments -10%	(2,023)	(2,755)	(2,023)	(2,755)

## Interest rate risk

Exposure to interest rate risk

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
VARIABLE RATE INSTRUMENTS		
Financial assets	1,035	4,854
Financial liabilities	-	-

Sensitivity to interest rate risk for fixed rate and variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss after tax by the amounts shown below. This analysis assumes that all other variables remain constant.

The analysis was performed on the same basis for 2015.

<b>In thousands of AUD</b>	<b>Equity 2016</b>	<b>Equity 2015</b>	<b>Profit or loss 2016</b>	<b>Profit or loss 2015</b>
Financial assets +100bps	7	34	10	49
Financial assets – 100bps	(7)	(34)	(10)	(49)
Financial liabilities +100bps	-	-	-	-
Financial liabilities – 100bps	-	-	-	-

## Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments.

<b>In thousands of AUD</b>	<b>Carrying Amount</b>	<b>1 month or less</b>	<b>1 month to 12 months</b>	<b>On call</b>
30 JUNE 2016				
Trade and other payables	108	108	-	-
Private equity commitments	-	-	-	1,516

<b>In thousands of AUD</b>	<b>Carrying Amount</b>	<b>1 month or less</b>	<b>1 month to 12 months</b>	<b>On call</b>
30 JUNE 2015				
Trade and other payables	137	137	-	-
Private equity commitments	-	-	-	2,633

Private equity commitments may be called at any time in the future, but are not due until approximately 10 days after they are called. Calls can be made at any time over approximately 3 years from balance sheet date.

Details of private equity commitments held by the Company at balance date are as follows:

<b>In thousands of AUD</b>				
<b>Fund name</b>	<b>Commitment</b>	<b>Drawn capital</b>	<b>Undrawn capital</b>	<b>Termination date of fund</b>
Archer Capital Fund 4	9,650	9,092	558	Mar-17
Catalyst Buyout Fund 1	8,000	8,000	-	May-16
CM Capital Venture Trust No 4	8,000	7,760	240	May-17
Direct Capital Partners III (\$A equiv.)	6,985	6,859	126	Dec-16
Ironbridge Capital 2003/4 Fund	5,023	4,828	195	Sep-16
NBC Private Equity Fund III	10,000	9,969	31	Aug-18
Pacific Equity Partners Fund III	7,600	7,494	106	Dec-15
Pacific Equity Partners Fund IV	7,447	7,212	235	Dec-17
Quadrant Private Equity No. 1	8,000	7,990	10	Nov-16
Wolseley Partners Fund I	8,000	7,985	15	Sep-16
Wolseley Partners Fund II	10,000	10,000	-	Jun-18
			<b>1,516</b>	

#### Currency risk

Exposure to currency risk

The Company's only foreign currency risk exposure is to New Zealand Dollars:

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
Unlisted private equity investments	1,385	2,049
Foreign cash	101	178
<b>Total balance sheet exposure to New Zealand currency</b>	<b>1,486</b>	<b>2,227</b>

#### Exchange rates

The following exchange rates applied at year end:

	<b>2016</b>	<b>2015</b>
NZD	1.0454	1.1193

### Sensitivity to currency risk

A change of 10% in the Australian dollar against the New Zealand dollar at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for 2015.

In thousands of AUD	Equity 2016	Equity 2015	Profit or loss 2016	Profit or loss 2015
NZD +10%	90	132	90	132
NZD – 10%	(111)	(162)	(111)	(162)

### Credit risk

#### Exposure to credit risk

The carrying amount of the Company's cash and receivables represents the maximum credit risk exposure. The Company's maximum exposure to credit risk was \$1,059,636 (2015: \$5,011,545) being \$1,034,693 in relation to cash and cash equivalents (2015: \$4,853,648) and \$24,943 in relation to receivables (2015: \$157,897).

None of the Company's receivables are past due (2015: nil) or considered impaired. All receivables are due within 30 days.

The Company does not have any material credit risk to any single debtor or group of debtors.

#### Fair values versus carrying amounts

The carrying values of financial assets and liabilities approximate their fair value.

The basis for determining fair values is disclosed in Note 5.

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In thousands of AUD	Level 1	Level 2	Level 3	Total
30 JUNE 2016				
Financial assets designated as fair value through profit or loss	-	-	28,898	28,898
	-	-	28,898	28,898
30 JUNE 2015				
Financial assets designated as fair value through profit or loss	-	-	39,355	39,355
	-	-	39,355	39,355

During the financial year, there have been no transfers between levels 1, 2 or 3 (2015: nil).

#### Reconciliation of Level 3 balances in the fair value hierarchy

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
Beginning balance	39,355	50,938
Unrealised gains for the period recognised in the profit or loss	1,086	(5,872)
Purchases and calls paid for unlisted private equity investments	327	2,652
Sales of unlisted private equity investments	(3,473)	(150)
Capital returns from unlisted private equity investments	(8,365)	(8,099)
Proceeds received from repayment of investment loans	(37)	(139)
Foreign exchange loss on settlement of investment loans	5	25
<b>Ending balance</b>	<b>28,898</b>	<b>39,355</b>

#### Sensitivity analysis

The valuation inputs for the level 3 financial assets vary depending on the corporate structure of the investment. Although the Company is primarily a fund of fund structure, it also invests through other “non-fund” entities. The Company’s investments therefore need to be valued differently according to the differing legal structures of its investments:

- Investments in private equity trusts are valued by multiplying a unit price provided by the manager of the trust by the number of units the Company holds in the trust;
- Venture Capital Limited Partnerships (VCLP) are valued using a value of the VCLP assets provided by the manager of the partnership proportioned by the Company’s share of VCLP assets under the partnership agreement; and
- Direct private equity investments are valued using a value of the direct investment provided by the manager of the investment, proportioned by the share of equity in the investment which the Company holds.

The valuation inputs of the Company’s investments are therefore twofold:

1. The proportion of a trust, VCLP or direct investment which the Company holds; and
2. The unit price of a trust or the underlying value of a VCLP or direct investment.

The proportion of an investment which the Company holds is primarily fixed under the terms of the governing document of the investment (relevant trust deed, partnership agreement, bare trustee agreement, unit trust agreement or management agreement). Therefore, the only reasonable change in a valuation input that could occur, and hence the Company’s sensitivity to changes in valuation inputs, is a change in the unit price of a trust or the underlying value of a VCLP or direct investment (i.e. the market price risk).

The Company’s sensitivity to market price risk is set out above in the first table of this note.

## 20. CAPITAL AND OTHER COMMITMENTS

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
Private equity commitments contracted but not provided for	1,516	2,633

These commitments reflect the capital commitment in respect of future investments in current private equity investments held. Due to the inherent nature of this type of investment, the timeframe of these commitments cannot be accurately predicted because capital can be called by investment managers at any time, however it is unlikely that the Company would be required to pay the entire outstanding commitment at one time. This is supported by past experience.

Estimated forecasted cash draw-down projections are provided below by the Company. These projections are a broad estimate, are not able to be relied upon but are forecasted to take place within the following timeframes:

Private equity commitments contracted but not provided for

<b>In thousands of AUD</b>	<b>2016</b>	<b>2015</b>
Within 1 year	300	650
Between 1 year and 5 years	600	1,983
Later than 5 years	-	-
	900	2,633

## 21. CONTINGENCIES

### Contingent assets

As at the date of this report, the Company does not have any contingent assets (2015: nil).

### Contingent liabilities

As at the date of this report, the Company does not have any contingent liabilities (2015: nil).

Outstanding balances at year-end are unsecured and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables.

## 22. RELATED PARTIES

### Key management personnel compensation

Other than the Directors, there were no key management personnel during the year.

### Compensation of Directors

During the year, the total compensation paid to the Directors was \$70,000 (2015: \$95,000).

Under the current terms of the Company's constitution, the non-executive Directors as a whole may be paid or provided remuneration for their services the total amount or value of which must not exceed an aggregate maximum of \$150,000 per annum.

### Individual Director's compensation disclosures

Information regarding individual Director's and executive's compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

### Key management personnel and Director transactions

Mr Schahinger holds a position in the Manager, Pomona Australia Pty Limited, which results in him having control or significant influence over the financial or operating policies of that entity.

Pomona Australia Pty Limited transacted with the Company in the reporting period as a result of its position as Manager of the Company during the year. The terms and conditions of the transactions with Pomona Australia Pty Limited were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to Pomona Australia Pty Limited were as follows:

In thousands of AUD	Transaction	Note	Transaction value year ended 30 June		Balance outstanding as at 30 June	
			2016	2015	2016	2015
Key Management Person	Transaction		2016	2015	2016	2015
Mr J Schahinger	Management Fees	(i)	357	425	23	35
			357	425	23	35

#### (i) Management Fee

In consideration for the services provided under the Management Agreement, the Manager is entitled to a Management Fee which is calculated on the last business day of each month and paid no less frequently than quarterly.

The management fee is charged at the rate of 0.85% per annum of the gross asset value of the portfolio.

(ii) Performance Fee

Under the terms of the Management Agreement, the Manager will be entitled to a Performance Fee calculated annually over three year rolling periods from the end of the month in which the Company was admitted to the ASX's Official List (30 November 2004).

The fee payable is equal to 10% of any out-performance of the Portfolio over a benchmark which is the greater of:

- (a) the total return of the S&P/ASX 300 Accumulation Index over the calculation period plus 3% per annum; and
- (b) 25% over the calculation period.

As at 30 June 2016, no Performance Fee has been paid or become payable to the Manager (2015: \$nil).

Purchases from related parties are made in arms length transactions at both normal market prices and normal commercial terms.

## 23. SUBSEQUENT EVENTS

There have been no matters or circumstances since the end of the financial year that have significantly affected or may significantly affect the Company.

## 24. AUDITOR'S REMUNERATION

<b>In AUD</b>	<b>2016</b>	<b>2015</b>
<b>AUDIT AND REVIEW OF FINANCIAL STATEMENTS</b>		
Auditors of the Company		
Audit and review of financial reports – Grant Thornton	66,400	65,000
<b>Remuneration for audit and review of financial statements</b>	<b>66,400</b>	<b>65,000</b>
<b>OTHER SERVICES</b>		
Auditors of the Company		
Taxation services – Grant Thornton	9,350	9,350
<b>Total other service remuneration</b>	<b>9,350</b>	<b>9,350</b>
<b>Total auditor's remuneration</b>	<b>75,750</b>	<b>74,350</b>

# Directors' Declaration

1. In the opinion of the Directors of IPE Limited (the Company):
  - (a) the financial statements and notes that are set out on pages 24 to 50, and the Remuneration report in the Directors' report, set out on pages 14 and 15, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
  - (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.
2. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the year ended 30 June 2016.
3. The Directors draw attention to note 2(a) of the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



Geoff Brunson  
Chairman  
Sydney  
19 August 2016

# Independent Audit Report



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## **Independent Auditor's Report To the Members of IPE Limited**

### **Report on the financial report**

We have audited the accompanying financial report of IPE Limited (the "Company"), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Company.

### **Directors' responsibility 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. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's

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judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**Auditor's opinion**

In our opinion the financial report of IPE Limited is in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- c the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.



**Report on the remuneration report**

We have audited the remuneration report included in pages 14 to 16 of the Directors' report for the year ended 30 June 2016. 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.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of IPE Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

A handwritten signature in cursive script that reads "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in cursive script that reads "G S Layland".

G S Layland  
Director - Audit & Assurance

Sydney, 19 August 2016

# Additional ASX Disclosures

Additional information required by the ASX Ltd listing rules and not disclosed elsewhere in this report is set out below. Unless otherwise stated, the information below is current as at 3 August 2016.

## SHAREHOLDINGS

### Substantial Shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Ordinary shares held
Stafford Fund Nominees Pty Limited ATF Stafford Private Equity 4 Fund	34,369,189
Wilson Asset Management Group	24,023,133

### Securities exchange

The Company is listed on the Australian Securities Exchange. The home exchange is Sydney.

### Other information

IPE Limited, incorporated and domiciled in Australia, is a publicly listed Company limited by shares.

### Twenty largest security holders

The names of the twenty largest holders of quoted securities are:

Name	Ordinary shares held	Capital held (%)
1 Stafford Fund Nominees Pty Ltd	34,369,189	25.34%
2 RBC Investor Services Australia Nominees Pty Limited	23,812,118	17.55%
3 BNP Paribas Nominees Pty Ltd	4,831,171	3.56%
4 Mr Rodney Pryor	4,292,882	3.16%
5 One Managed Inv Funds Ltd	3,052,403	2.25%
6 Mr Simon Robert Evans & Mrs Kathryn Margaret Evans	2,850,000	2.10%
7 Mr Rodney Pryor	1,757,118	1.30%
8 Jesena Pty Ltd	1,183,242	0.87%
9 Eureka Benevolent Foundation Ltd	1,020,000	0.75%
10 LMPACFT Pty Ltd	1,000,000	0.74%
11 Mr Jon Douglas Schahinger & Dr Elizabeth Mary Frank	900,000	0.66%
12 TVJ Pty Ltd	800,376	0.59%
13 TVJ Pty Ltd	799,624	0.59%
14 Mr Richard Philip Wilkins	700,000	0.52%
15 Citicorp Nominees Pty Limited	682,079	0.50%
16 Meroma Pty Limited	640,000	0.47%
17 Mr Jamie Skinner & Mrs Cindy Skinner	634,803	0.47%
18 Oblique Pty Limited	600,000	0.44%
19 Mr Rodney Pryor & Mrs Jennifer Pryor	566,986	0.42%
20 Afternoon Light Pty Ltd	563,160	0.42%
	<b>85,055,151</b>	<b>62.70%</b>

## VOTING RIGHTS

### Ordinary shares

Refer Note 17 in the financial statements.

### Distribution of equity security holders

Category	Number of equity security holders	Number of shares
1-1,000	72	24,858
1,001-5,000	528	1,656,728
5,001-10,000	381	3,015,147
10,001-100,000	800	25,419,871
100,001 and over	112	105,527,495
	<b>1,893</b>	<b>135,644,099</b>
The number of shareholders holding less than a marketable parcel of securities is:	226	309,984

## INVESTMENT

### Brokerage and Investment Transactions

During the current and prior year, the Company did not pay any brokerage costs because it did not make any investment transactions which incur brokerage.

### Management Agreement

IPE Limited has appointed Pomona Australia Pty Limited as the Manager of the Company with effect from 1 July 2011.

The Company has appointed the Manager to:

1. invest and manage the Portfolio in accordance with the terms of the Agreement; and
2. perform various administration services, specifically:
  - preparing financial statements required to be issued by the Company;
  - assisting the Company to carry out company secretarial functions, including arranging meetings of shareholders of the Company and liaising with the Company's share registry;
  - assistance in preparing communications to shareholders of the Company;
  - assistance in preparing income tax returns and maintaining tax related records for the Company; and
  - arranging the establishment and maintenance of a website for the Company.

In consideration of the services provided under the Agreement, the Manager was entitled to a Management Fee of 0.070833% of the value of the Portfolio calculated on the last business day of each month (being a fee of 0.85% per annum of the value of the Portfolio), and paid no less frequently than quarterly.

Management fees paid or accrued during the reporting year were \$357,475 (2015: \$425,302).

## Investment Portfolio

The investments held by IPE Limited at balance date are:

### **Unlisted private equity investments**

Archer Capital Fund 4

Catalyst Buyout Fund 1

CM Capital Venture Trust No. 4

Ironbridge Capital 2003/4 Fund

NBC Private Equity Fund III

Pacific Equity Partners Fund III

Pacific Equity Partners Fund IV

Quadrant Private Equity No.1

Wolseley Partners Fund I

Wolseley Partners Fund II

### **Unlisted co-investments**

New Zealand King Salmon Limited

Stratex Group Limited

Fishpond Limited

Next Capital Health Group Co-Investment Trust

# Directory

## **IPE Limited**

ABN 48 107 843 381

## **Directors**

Geoff Brunsdon (Independent, Non-Executive Director and Chairman)

Jon Schahinger (Managing Director)

Tony Sims (Independent and Non-Executive Director)

## **Company Secretary**

Sam Jackson

## **Registered Office of the Company**

Level 9, 1 Castlereagh Street

Sydney NSW 2000

Australia

Email: [ipe@pafunds.com.au](mailto:ipe@pafunds.com.au)

T: +61 2 8298 5161

## **Manager**

Pomona Australia Pty Limited

Level 9, 1 Castlereagh Street

Sydney NSW 2000

Australia

T: +61 2 8298 5161

## **Registrar**

Link Market Services Limited

Level 12, 680 George Street

Sydney NSW 2000

Australia

Free call (in Australia): +61 1800 891 098

Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

## **Auditor**

Grant Thornton

Level 17, 383 Kent Street

Sydney NSW 2000

Australia

## **Stock Exchange Listing**

Official list of the Australian Securities

Exchange Limited

ASX Code: IPE

## **Website**

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

The information contained in this summary report has been prepared with all reasonable care by IPE Limited who accepts no responsibility or liability for any errors, omissions or misstatements. It is provided as general securities information only and is not in any way intended to constitute a securities investment recommendation or financial advice.

IPE LIMITED

ABN 48 107 843 381

