

# IPE Limited

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HALF-YEARLY REPORT TO INVESTORS  
31 DECEMBER 2017

ABN 48 107 843 381

# Review

## Summary

Net loss after tax	\$0.45 million
Net assets	\$13.99 million
NTA (post tax) released to ASX	\$0.103 per share
Debt	nil
Cash	\$1.76 million
Cash paid to shareholders	nil
Number of private equity funds	7
Number of underlying investments	12
Undrawn commitments	\$0.8 million

## Financial results and capital position

The company experienced a very quiet half year period with no material exit activity in the portfolio and only modest changes in valuations. Hence the six months produced a small loss of \$0.45 million, not dissimilar to the loss in the prior corresponding period of \$0.25 million.

Net Tangible Assets (“NTA”) per share released to the ASX as at 31 December was \$0.103 pre-tax (\$0.106 at 30 June) and \$0.103 post-tax (\$0.106 at 30 June). The difference was primarily the result of a small change in unrealised valuations and the impact of operating expenses.

At 31 December 2017 the Company had only \$0.8 million (the same as at 30 June) of undrawn private equity commitments which are available for portfolio support and other fund requirements. Given our knowledge of the portfolio we expect that the majority of that amount will not be called upon. The Company has no debt and the cash balance at period end was \$1.76 million so capital and expense needs are well covered.

Despite only a small number of purchases since its introduction in late 2015 the Company continues to have the ability to buy-back shares on-market as a way of enhancing shareholder value should any sustained share price weakness arise.

Over the last few years there has been a steady stream of cash back to investors but the current cash reserves were deemed insufficient to conclude that a dividend or capital return was appropriate during the six months. The Company’s policy remains to distribute cash to shareholders when it has excess to its needs but we shall need to see further material exit activity in the portfolio before the next payment is possible.

At the Annual General Meeting in October shareholders again approved a resolution that will allow the efficient return of further capital during calendar 2018 should the Board deem it prudent to declare a payment. If there is any capital returns during FY 2018 the Company will approach the ATO for confirmation of the tax status of capital returns with the aim of providing confirmation, via an ASX release, before shareholders need to complete their tax returns for FY 2018.

Sydney  
16 February 2018

## Private Equity Portfolio

The Company's private equity fund portfolio is now down to seven funds with only twelve underlying investments. Two of the funds (Wolseley I and II) have no investments and are going through the process of their final wind-ups while another two (PEP IV and Quadrant 1) both have only one investment remaining. During the period under review, one fund (PEP III) finalised its termination process.

Cash inflows during the six months were modest at only \$0.66 million with the major portion arising from Archer 4's recapitalisation of its investment in Craveable Brands (previously named Quick Service Restaurants) and a smaller amount from CM Capital 4 following its sale of Datacastle. There were no calls during the period on the Company's undrawn portfolio commitments.

The future value of the portfolio will be driven by the outcomes of CM Capital 4 and NBC Private Equity III which both have four investments remaining. At period end CM Capital 4 represented almost 50% of the Company's portfolio value while NBC III added close to 30%. We hope that 2018 will prove pivotal for both of those funds as they pursue the exits of their investments. The calendar year has started well with the announcement in late January that the equity in ThreatMetrix (in the CM Capital 4 portfolio and the Company's largest exposure) was under a sale agreement for a price materially above its 31 December valuation with settlement expected before 30 June.

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

### Summary of private equity funds

Portfolio holdings as at 31 December 2017 are outlined below.

Fund name	Fund size \$m	Committed \$m	Capital drawn \$m	Capital to be drawn \$m	Cash back \$m
Archer Capital Fund 4	1,312.4	9.7	9.1	0.6	14.5
CM Capital Venture Trust 4	153.5	8.0	7.8	0.2	0.7
NBC Private Equity Fund III	101.2	10.0	10.0	-	4.2
Pacific Equity Partners Fund IV	2,965.0	7.3	7.2	-	9.9
Quadrant Private Equity No. 1	265.0	8.0	8.0	-	9.8
Wolseley Partners Fund I	107.4	8.0	8.0	-	3.8
Wolseley Partners Fund II	235.0	10.0	10.0	-	13.8

## Ten largest private equity exposures

(as a percentage of the value of the Company's private equity assets as at 31 December 2017)

Fund	Date invested	Company	Percentage
CM Capital 4	Feb 08	ThreatMetrix	22.0%
CM Capital 4	Oct 07	Piedmont Pharmaceuticals	18.5%
NBC III	Oct 13	Didasko Learning	13.8%
NBC III	Dec 12	Degani Australia	11.3%
Archer 4	Jun 11	Craveable Brands	8.6%
CM Capital 4	Jun 07	Osprey Medical (ASX code: OSP)	6.0%
Quadrant 1	Mar 06	Seniors Money	5.2%
PEP IV	Jun 08	American Stock Transfer	5.2%
CM Capital 4	Jun 09	SpeedX	3.4%
NBC III	Aug 13	Statseeker	3.3%
<b>Total (rounded)</b>			<b>97.3%</b>

The top 6 underlying investments accounted for 80% of the portfolio at 31 December. With the wind down of the Company, the portfolio no longer enjoys the benefit of diversification to the previous extent. If any of these major investments suffered a significant set-back in performance or market value not offset by a corresponding increase in other investments, there could be a material diminution in the fund's NTA. Conversely, out performance could result in a significant enhancement to NTA (a situation just experienced with the good news in January about the sale of ThreatMetrix). Investors should consider the potential for increased volatility in realised or unrealised values in relation to their investment objectives.

## Realisations throughout the period

Fund	Company	Total return as a multiple of cost
Archer Capital Fund 4	Brownes	0.5x
CM Capital 4	Datacastle	0.6x
	Altiris	0.2x

# Financial Statements

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

	2017 \$'000	2016 \$'000
<b>REVENUES</b>		
Dividends and distributions revenue	1,232	3,738
Interest revenue	8	23
Change in net market value of investments	(1,392)	(2,929)
	(152)	832
<b>EXPENSES</b>		
Fees payable to the Manager	62	416
Directors' fees	35	35
Co-investment fees to external managers	-	417
Other expenses	171	140
	268	1,008
Loss before income tax expense	(420)	(176)
Income tax expense	(33)	(70)
Net loss after tax	(453)	(246)
Other comprehensive income	-	-
Total comprehensive income for the period	(453)	(246)

## Condensed balance sheets

	31 Dec 2017 \$'000	30 June 2017 \$'000
<b>ASSETS</b>		
Cash	1,758	1,353
Receivables and prepayments	14	23
Unlisted private equity investments	12,315	13,135
Tax assets	-	28
<b>Total assets</b>	<b>14,087</b>	<b>14,539</b>
<b>LIABILITIES</b>		
Other payables	100	98
Current tax liabilities	-	-
Deferred tax liabilities	-	1
<b>Total liabilities</b>	<b>100</b>	<b>99</b>
<b>Net assets</b>	<b>13,987</b>	<b>14,440</b>
<b>EQUITY</b>		
Issued capital	41,436	41,436
Accumulated losses	(27,449)	(26,996)
<b>Total equity</b>	<b>13,987</b>	<b>14,440</b>

Note: The above figures represent a summary version of the Company's Appendix 4D and Interim Financial Report as released to the ASX on 16 February 2018.

## Directory

IPE Limited  
ABN 48 107 843 381

### Directors

Geoff Brunsdon (Independent, Non-Executive Director and Chairman)  
Jon Schahinger (Managing Director)  
Tony Sims (Independent, 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)

### 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  
T: 1800 891 098

### Auditor

Grant Thornton  
Level 17, 383 Kent Street  
Sydney NSW 2000 Australia

### Stock Exchange Listing

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

### Website

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

## Communication Preferences

To directly access your shareholder record and change your preferences:

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

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

Link Market Services Limited  
Level 12, 680 George Street, Sydney NSW 2000 Australia  
Locked Bag A14, Sydney South, NSW 1235 Australia

Free Call: +61 1800 891 098  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

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