

# IPE Limited

---



HALF-YEARLY REPORT TO INVESTORS  
31 DECEMBER 2015

ABN 48 107 843 381

# Review

## Introduction

Net profit after tax	\$3.6 million
Net assets	\$42.1 million
Net tangible asset backing (post tax)	\$0.310 per share
Debt	nil
Cash	\$6.0 million
Cash paid to shareholders	4.50 cps (December - return of capital of \$6.1m)
	1.00 cps (December - dividend of \$1.4m)
Number of private equity funds	14
Number of underlying investments	36
Undrawn commitments	\$1.6 million

The financial environment over the six months to 31 December remained receptive to good quality assets and exit activity in the portfolio continued, generating significant amounts of cash for the Company. This enabled payment to shareholders of \$7.5 million which was about 16% of the net assets at 30 June. As part of the strategy of winding down the Company's activities an on-market share buyback was also introduced to try and create additional value for longer term shareholders.

Following this strong period for the Company we have entered the new year witnessing a marked degree of volatility in financial markets which must elicit a cautious outlook for the remainder of the 2016 financial year.

## Financial results

The half year produced a profit of \$3.64 million compared with \$0.58 million in the prior corresponding period. Uplifts in valuations were greater than experienced in the prior period but were only derived from a modest number of investments. The unrealised valuations at 31 December reflected a cautious outlook, appropriate against the mixed market signals that were evident towards the end of calendar 2015.

Net Tangible Assets ("NTA") per share at 31 December was \$0.307 pre-tax (\$0.324 at 30 June) and \$0.310 post-tax (\$0.338 at 30 June). The change was the net result of positive changes in realised and unrealised values reduced by the payment of the 5.50 cents per share return of capital and dividend in December.

The Company was able to continue the flow of cash to shareholders. In early December there was a 4.50 cents per share return of capital as well as a 1.0 cent per share dividend which was 70% franked, utilising almost all of the available imputation credits. If cash continues to flow into the Company a further payment to shareholders is likely over the next few months.

## Capital management

At 31 December 2015 the Company had only \$1.6 million (\$2.6 million at 30 June) of undrawn private equity commitments, available for portfolio support and other fund requirements (but not new investments) over the next few years. The Company has no debt and the debt facility that was previously in place was cancelled in May 2015 after the Board concluded that all of the Company's obligations could be comfortably satisfied from its cash reserves and future operational cash-flows. The cash balance at period end was \$6.0 million.

Given the Company's relatively strong cash position the Board decided to test the appetite for an on-market share buyback as a way of enhancing shareholder value. The purchases have been modest since commencement in late November but the initiative will continue before a review of its efficacy later in the year.

Capital returns to shareholders continued during the six months and at the Annual General Meeting shareholders again approved a resolution that will allow the efficient return of further capital during calendar 2016 should the Board deem it prudent to declare a payment out of excess cash reserves. Over the next few months the Company will approach the ATO for confirmation of the tax status of capital returns paid since July 2015 with the aim of providing confirmation, via an ASX release, before shareholders need to complete their tax returns for FY 2016.

## Private Equity Portfolio

The Company's private equity fund portfolio now contains 14 funds all of which have complete portfolios and are assessing the optimal time to exit their investments. Strong cash inflows continued over the six months with receipts of more than \$9.5 million while the portfolio called less than \$0.3 million. Major sources of the 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); and
- The final sell-downs of the listed iSentia by Quadrant 2 and the Spotless Group by PEP IV.

In addition, in December, Archer Fund 4 announced the sale of its hospital business (HealthCare) subject to FIRB approval. That approval has now been granted but settlement has yet to occur.

There are still 36 companies in the underlying private equity funds and many of these funds will also be seeking exits for some of their investments during 2016. The year has started with a high degree of volatility on financial markets which could inhibit the

exit activity and reduce the amount of cash flowing back to the Company compared with the last 12 months. However, the listings of a number of companies in the portfolio have cemented paths to eventual exits for those investments when escrows are released during 2016.

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

Sydney  
19 February 2016

## Summary of private equity funds

Portfolio holdings as at 31 December 2015 are outlined below.

Fund name	Investment stage focus	Fund size \$m	Committed \$m	Capital drawn \$m	Capital to be drawn \$m	Cash back \$m
Archer Capital Fund 4	Buyout	1,312.4	9.7	9.1	0.6	10.5
Catalyst Buyout Fund 1	Buyout	390.0	8.0	8.0	-	5.2
CM Capital Venture Trust 4	Venture Capital	153.5	8.0	7.8	0.2	0.6
Direct Capital Partners III	Expansion/Buyout	57.1	7.0	6.8	0.2	7.2
Ironbridge Capital 2003/4 Fund	Buyout	450.0	5.0	4.8	0.2	3.8
NBC Private Equity Fund II	Expansion/Buyout	98.6	6.0	6.0	-	0.4
NBC Private Equity Fund III	Expansion/Buyout	101.2	10.0	10.0	-	3.9
Pacific Equity Partners Fund III	Buyout	1,214.0	7.6	7.5	0.1	11.9
Pacific Equity Partners Fund IV	Buyout	3,061.0	7.4	7.2	0.2	9.9
Propel Private Equity Fund II	Expansion/Buyout	70.8	3.4	3.4	-	6.1
Quadrant Private Equity No. 1	Expansion/Buyout	265.0	8.0	8.0	-	9.8
Quadrant Private Equity No. 2	Expansion/Buyout	480.0	9.6	8.8	-	18.7
Wolseley Partners Fund I	Expansion/Buyout	107.4	8.0	8.0	-	2.4
Wolseley Partners Fund II	Expansion/Buyout	235.0	10.0	10.0	-	5.8
<b>Total</b>			<b>107.7</b>	<b>105.4</b>	<b>1.6</b>	<b>96.3</b>

\* numbers subject to rounding

## Summary of realisations

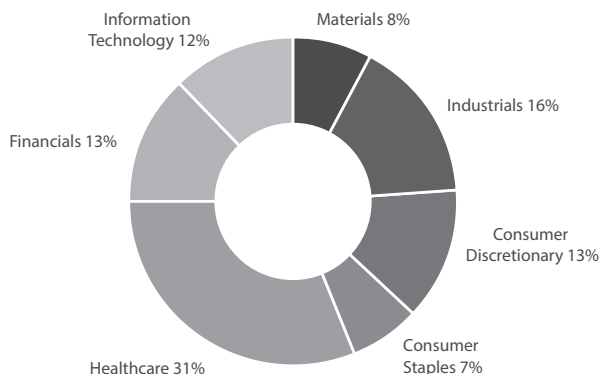
Fund	Company	Total return as a multiple of cost
NBC II	Withcott	0.0x
Pacific Equity Partners IV	Energy Developments	2.6x
Pacific Equity Partners IV	Spotless	2.4x
Propel Private Equity Fund II	PAS Group	1.3x
Quadrant Private Equity No. 2	Independent Pub Group	0.6x
Quadrant Private Equity No. 2	iSentia	6.2x

## Summary of vintages (calendar year)

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

2005	2006	2007	2008	2009
2	6	7	7	2
2010	2011	2012	2013	
2	5	2	3	

## Industry sector exposure at period end



## Summary of 20 largest private equity exposures

(as a percentage of the value of the Company's private equity assets as at 31 December 2015)

Fund	Date settled	Company	Percentage
Archer 4	Jun 11	HealtheCare Australia	10.1%
Wolseley II	Nov 12	IVE Group (ASX code: IGL)	8.2%
CM Capital 4	Feb 08	ThreatMetrix	7.9%
Wolseley I & II	Apr 07	Facade Access	7.8%
Direct Capital III	Nov 05	NZ Pharmaceuticals	7.7%
PEP III	Sep 06	Link Group (ASX code: LNK)	7.1%
Wolseley II	Sep 13	Nexus Day Hospitals	4.9%
NBC III	Oct 13	Didasko Learning	4.7%
NBC III	Dec 12	Degani Australia	4.2%
Wolseley II	Jul 10	Abergeldie Group	3.9%
PEP IV	Jun 08	American Stock Transfer	3.8%
CM Capital 4	Oct 07	Piedmont Pharmaceuticals	2.9%
Archer 4	Jun 11	Quick Service Restaurants	2.8%
Direct Capital III	Aug 08	NZ King Salmon	2.6%
Wolseley II	Apr 10	Byron Group	2.3%
CM Capital 4	Jul 08	Datacastle Corp	2.2%
Ironbridge 2003/4	Oct 05	BBQSAM	2.2%
Co-investment	Jun 07	Vitaco (ASX code: VIT)	2.2%
Quadrant 1	Mar 06	Seniors Money	1.8%
Wolseley II	Jul 11	AGS World Transport	1.5%
<b>Total (rounded)</b>			<b>90.9%</b>

# Financial Statements

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

	2015 \$'000	2014 \$'000
<b>REVENUES</b>		
Dividends and distributions revenue	3,631	5,420
Interest revenue	61	100
Change in net market value of investments	2,048	(4,390)
	5,740	1,130
<b>EXPENSES</b>		
Management fees	191	225
Interest and bank expense	-	17
Other expenses	248	144
	439	386
Profit before income tax expense	5,301	744
Income tax benefit/(expense)	(1,661)	(165)
<b>Net profit after tax</b>	<b>3,640</b>	<b>579</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>3,640</b>	<b>579</b>

## Condensed balance sheets

	31 Dec 2015 \$'000	30 June 2015 \$'000
<b>ASSETS</b>		
Cash	5,966	4,854
Receivables and prepayments	56	168
Unlisted private equity investments	35,850	39,355
Tax assets	2,062	2,680
<b>Total assets</b>	<b>43,934</b>	<b>47,057</b>
<b>LIABILITIES</b>		
Other payables	178	137
Current tax liabilities	1,634	778
Deferred tax liabilities	2	3
<b>Total liabilities</b>	<b>1,814</b>	<b>918</b>
<b>Net assets</b>	<b>42,120</b>	<b>46,139</b>
<b>EQUITY</b>		
Issued capital	54,079	60,372
Retained earnings	(11,959)	(14,233)
<b>Total equity</b>	<b>42,120</b>	<b>46,139</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 19 February 2016.

# Directory

IPE Limited  
ABN 48 107 843 381

## Directors

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

## Company Secretary

Sam Jackson

## Registered Office of the Company

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)

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.

## 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)



