

IPE Limited

IPE Limited
ABN 48 107 843 381
c/o Ellice Flint
Level 13, 23 – 25 Hunter Street
Sydney NSW 2000 Australia
T: +61 411 404 280
E: ipe@pafunds.com.au
W: ipelimited.com.au

21 August 2018

ASX Market Announcements Office
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

2018 Appendix 4E and Annual Report

Attached are:

- The Appendix 4E for 30 June 2018;
- The Company's 2018 Annual Report

The Annual Report will also be posted on the Company's website: www.ipelimited.com.au

Yours sincerely,



Jon Schahinger
Company Secretary

IPE Limited
ABN 48 107 843 381

Appendix 4E
Preliminary Final Report
For the period ending 30 June 2018

ASX Disclosures as required by ASX Listing Rule 4.3A

1. Reporting period ("current period"): Financial year ended 30 June 2018
Previous corresponding period: Financial year ended 30 June 2017

2. Results for announcement to the market:

2.1	Revenue from ordinary activities (\$'000)	Down	6%	5,631
2.2	Profit/(Loss) from ordinary activities after tax attributable to members (\$'000)	Up	548%	4,626
2.3	Profit/(Loss) for the period attributable to members (\$'000)	Up	548%	4,626
2.4	<u>2018 Dividend & Capital Return:</u> Capital return paid on 9 April 2018 Interim dividend paid on 9 April 2018 <u>2017 Dividends & Capital Returns:</u> Capital return paid on 25 November 2016 Interim dividend paid on 25 November 2016 Capital return paid on 12 April 2017 Interim dividend paid on 12 April 2017	3.25 cps 3.75 cps 3.80 cps 2.20 cps 2.70 cps 1.20 cps		<u>Franking</u> N/A 0% N/A 100% N/A 0%
2.5	Record date for determining 2018 final dividend entitlement	Not applicable		
2.6	Brief Explanation: Refer Annual Report (attached)			

3. Statement of Profit or Loss and Other Comprehensive Income together with notes – refer attached.
4. Statement of Financial Position together with notes – refer attached.
5. Statement of Cash Flows together with notes – refer attached.
6. Statement of Change in Equity – refer attached.

7. Dividends – refer attached. No part of the dividends paid during the year were foreign sourced.
8. Dividend Reinvestment Plan – the Plan has been suspended and there is no intention to re-instate it.
9. Net tangible assets per share:

Period	NTA per share before tax	NTA per share after tax
30 June 2018	\$0.072	\$0.072
30 June 2017	\$0.106	\$0.106

10. There were no entities over which control has been gained or lost during the period.
11. There were no associates or joint venture entities during the financial period.
12. There is no other significant information to report, other than what has been disclosed, that would be needed by an investor to make an informed assessment of the entity's financial performance and financial position.
13. Accounting standards used by foreign entities – not applicable.
14. Commentary on the results for the period – refer attached.
15. This report is based on accounts which have been audited. Refer attached audit report.

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IPE Limited

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ANNUAL REPORT
30 June 2018

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2018 Annual General Meeting

Details about the items of business to be considered at the AGM will be contained in the separate Notice of 2018 Annual General Meeting to be sent to investors.

Five Year Summary

Net asset value (pre tax cents per share):		Net profit/(loss) after tax:	
2018	7 cps	2018	\$4.63m
2017	11 cps	2017	\$(1.03)m
2016	22 cps	2016	\$2.05m
2015	32 cps	2015	\$2.00m
2014	42 cps	2014	\$2.85m
Cash to shareholders (cents per share):			
2018	7.00 cps		
2017	9.90 cps		
2016	14.00 cps		
2015	10.00 cps		
2014	7.00 cps		
Number of underlying investments at year end:		Undrawn private equity commitments:	
2018	10	2018	\$0.4m
2017	15	2017	\$0.8m
2016	28	2016	\$1.5m
2015	42	2015	\$2.6m
2014	55	2014	\$5.1m

Statement by the Chairman

The year to 30 June 2018 proved to be very significant for the Company.

I highlighted last year that we faced greater uncertainty about the timing of future cashflows and that the monthly NTA could be more volatile, given the relatively small number of underlying investments remaining in the portfolio. We were pleasantly surprised to enjoy a significant uplift in NTA in January followed by very strong cash-inflows from the sale of a single investment – ThreatMetrix, part of the CM Capital 4 portfolio. That single exit provided the bulk of the \$9.5 million that was paid to shareholders in April, continuing the significant amounts of cash returned to shareholders as part of our wind-down strategy, but reducing the NTA to about 7 cents per share.

I also wrote last year that we continued to be open to alternatives to add value for shareholders or that could expedite the wind-up of the Company.

In the June quarter, one of the Company's substantial shareholders approached us with a takeover proposal at a price above NTA and above the recent trading price and, after due consideration, we concluded that the proposal should be put to shareholders. We recommended the bid and formal offers went out to shareholders in early July. The directors have accepted the offer in relation to their own shares while the bidder declared the offer unconditional on 3 August and has since received acceptances totalling approximately 90% of the total shares on issue. Consequently, the bidder will move to control the Company and will appoint a new Board of Directors.

On behalf of the current Board, thank you for your support over many years.



Geoff Brunsdon
Chairman
21 August 2018

Operating and Financial Review

Key items

Net profit after tax	\$4.63 million
Net assets	\$9.57 million
Net tangible asset backing (pre tax)	\$0.072 per share
Debt	Nil
Cash	\$1.24 million
Dividends paid	3.75 cps (\$5.1 million)
Returns of capital paid	3.25 cps (\$4.4 million)
Number of private equity funds	5
Number of underlying investments	10
Undrawn commitments	\$0.4 million

Cash flow and earnings

The Company produced an after tax profit of \$4.63 million for the year. The comparative number last year was a loss of \$1.03 million. Reasonably strong cash inflows totalled \$9.67 million, with the major source being CM Capital 4 which distributed \$8.80 million to IPE following the sale of its interests in ThreatMetrix at the start of calendar 2018 and for an amount well in excess of its prior carrying value (causing a strong uptick in NTA and a significant contribution to profitability).

Receipts also included a range of more modest distributions – from Archer Capital and again from CM Capital 4. There were no calls by any of the portfolio funds but a portion of uncalled capital was released by Archer Capital Fund 4 causing the total of undrawn commitments to drop from \$0.8 million to \$0.4 million.

The cash inflows enabled the Company to declare and pay \$9.5 million in dividends and capital returns and end the year with \$1.24 million in cash reserves. We continue to hold more cash in reserve than has been usual over the past few years as there is less certainty about the timing of future cash inflows due to the smaller and less diversified portfolio.

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 \$9.6 million (2017: \$14.4 million) after having paid \$9.5 million (7.0 cents per share) in dividends and capital returns during the year. Consequently pre-tax NTA per share declined from \$0.106 (\$0.106 post-tax) at 30 June 2017 to \$0.072 (\$0.072 post-tax) at balance date. The major contributor to the increase in portfolio value during the year was the sale price for ThreatMetrix (noted above).

As the underlying portfolio further declines in number and particular investments become ever more material to the value of the Company, the NTA may become more volatile than in the past when the extent of diversification was much more pronounced.

Investors can access monthly NTA releases from the Company's website at www.ipelimited.com.au, via the ASX website or by contacting their broker.

Capital Management

At balance date the Company had \$0.4 million of undrawn private equity commitments compared with \$0.8 million at 30 June 2017. All of the reduction was due to a commitment cancellation. The Company remains debt free.

With shareholder approval in place and a continuation of strong cash flows the Company was able to pay shareholders 3.25 cents per share in a capital return during April 2018 and the Australian Tax Office subsequently confirmed (announced to the ASX on 15 August) that the returns were non-taxable.

Private Equity Portfolio

The Company's original focus was to build a diversified portfolio of institutional-grade private equity funds which are now well through their winding down processes. Over the year, the Company's undrawn commitments reduced to \$0.4 million and three funds terminated so are no longer included in the table below. Those funds were Pacific Equity Partners Fund III and Wolseley Partners Funds I and II. All remaining funds are seeking to exit their portfolios over the next year or so and we still expect further cancellations of the modest amount of unused commitments.

The summary of the portfolio as at 30 June 2018 is:

Fund name	Fund size	Committed	Capital Drawn	Capital to be drawn	Cash Back
	\$m	\$m	\$m	\$m	\$m
Archer Capital Fund 4	1,256.9	9.2	9.1	0.2	14.7
CM Capital Venture Trust No 4	153.5	8.0	7.8	0.2	9.5
NBC Private Equity Fund III	101.2	10.0	10.0	0.0	4.2
Pacific Equity Partners Fund IV	2,965.0	7.3	7.2	0.0	9.9
Quadrant Private Equity No.1	265.0	8.0	8.0	0.0	9.8

Note: numbers subject to rounding

The underlying private equity portfolio continued to decrease over the year. There were five underlying investments totally exited, no new investments added and the portfolio ended with exposure to only 10 companies, with the five largest being about 80% of the total portfolio value.

The exits over the year were:

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
	ThreatMetrix	12.8x
NBC Private Equity Fund III	Statseeker	1.6x

Private equity exposure

The table below shows each of the remaining exposures in the portfolio as a percentage of the value of the Company's total private equity assets as at 30 June 2018.

Fund	Date invested	Company	Percentage
CM Capital Venture Trust No 4	Oct-07	Piedmont Pharmaceuticals	32.1%
NBC Private Equity Fund III	Oct-13	Didasko Learning	18.0%
Archer Capital Fund 4	Jun-11	Craveable Brands	12.5%
NBC Private Equity Fund III	Dec-12	Degani Australia	11.8%
Pacific Equity Partners Fund IV	Jun-08	American Stock Transfer	7.4%
Quadrant Private Equity No.1	Mar-06	Seniors Money International	7.2%
CM Capital Venture Trust No 4	Jun-09	SpeedX	4.3%
CM Capital Venture Trust No 4	Jun-07	Osprey Medical	3.2%
Archer Capital Fund 4	Jun 11	V8 Supercars	3.1%
CM Capital Venture Trust No 4		Escrows from past sales	0.3%
NBC Private Equity Fund III	Aug-08	Layby Services	0.0%
Total			100.0%
Note: numbers subject to rounding			

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

Directors' report

The Directors present their report together with the financial report of IPE Limited (the Company) for the financial year ended 30 June 2018 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 (note that the Directors will be resigning from their positions as a consequence of the takeover announced to the ASX on 4 July 2018):

Director Name	Position	Appointment Date	Resignation Date
Geoff Brunsdon	Independent, Non-Executive Chairman	3 February 2004	-
Jon Schahinger	Managing Director	3 February 2004	-
Tony Sims	Independent, Non-Executive Director	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.

Directors' report (continued)

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 secretaries

The Company Secretary in office during most of the year was Sam Jackson (appointed 21 March 2011 and resigned 12 June 2018). Sam is a member of the Institute of Chartered Accountants Australia and New Zealand and also performed the functions of Chief Financial Officer of the Company. Jon Schahinger was appointed as Company Secretary on 12 June 2018 (see above under "Directors" for Jon's details).

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:

Director Name	Directors' Meetings		Audit & Compliance Committee Meetings	
	Held	Attended	Held	Attended
Geoff Brunsdon	8	8	4	4
Jon Schahinger*	8	8	-	-
Tony Sims	8	8	4	4

* Jon Schahinger is not a member of the Audit & 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 30 June is as shown below, but note that each Director has accepted an offer to acquire his interests under the Off-Market Cash Offer announced to the ASX on 4 July 2018:

Director Name	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.

Directors' report (continued)

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	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
Geoff Brunsdon	45,000	45,000	-	-	45,000	45,000
Jon Schahinger	-	-	-	-	-	-
Tony Sims	22,831	22,831	2,169	2,169	25,000	25,000
Total Compensation	67,831	67,831	2,169	2,169	70,000	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 2018 (2017: \$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 2017	Purchases	Sales	30 June 2018
Geoff Brunsdon	1,183,242	-	-	1,183,242
Jon Schahinger	900,000	-	-	900,000
Tony Sims	200,000	-	-	200,000

No shares were granted to key management personnel during the reporting period as compensation in 2017 or 2018.

Other related party disclosures

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

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

Directors' report (continued)

900,000 shares were held by Pisac Pty Ltd as trustee for Schank Superannuation Fund at balance date. Jon Schahinger is a director of the fund's corporate trustee and has the power to influence the voting rights and disposal of its equity holdings.

200,000 shares were 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.

Other transactions with key management personnel

Jon Schahinger exercises significant influence over the Manager. During the year, the Company paid \$126,880 (2017: \$197,000) in management fees and \$Nil (2017: \$297,198) in performance fees to the Manager under the terms of the management agreement. The relevant terms of the management agreement are as follows:

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 is 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.

In addition:

Termination fee

On 6 June 2018 the Company announced that it and Mercantile OFM Pty Limited had entered into an Implementation Agreement under which Mercantile proposed a conditional off-market takeover bid for all IPE shares at A\$0.0775 per share. Pursuant to that Agreement the Company and the Manager entered into a Deed of Termination under which the current management agreement would be terminated at the end of the offer period if Mercantile achieves a majority holding in IPE and the offer becomes unconditional. A termination fee of \$400,000 (which was reviewed by the independent Expert as part of the Target's Statement released to the ASX on 4 July 2018) would then be payable by the Company to the Manager. As Mercantile now has a majority holding and the offer was declared unconditional on 3 August, the current management agreement will be terminated and the fee paid following the end of the offer period (currently scheduled to be 31 August 2018).

[End of audited remuneration report]

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 \$9.50 million paid out. Noteworthy events were:

- Payment of a capital return of 3.25 cents per share.

Directors' report (continued)

- Payment of a dividend of 3.75 cents per share
- Outstanding commitments reduced to \$0.4 million

The net gain after income tax amounted to \$4.63 million (2017: net loss of \$1.03 million).

See the "Operating and Financial Review" on pages 3 to 5 for more detailed information.

Earnings per share for the reporting period based on the weighted average number of ordinary shares	2018 Cents	2017 Cents
Basic earnings per share (cents per share)	3.41	(0.76)
Diluted earnings per share (cents per share)	3.41	(0.76)

Significant changes in the state of affairs

On 6 June 2018 the Company announced that it and Mercantile OFM Pty Limited had entered into an Implementation Agreement under which Mercantile proposed a conditional off-market takeover bid for all IPE shares at A\$0.0775 per share. The offer formally commenced on 4 July 2018 and on 3 August Mercantile announced that it had achieved a controlling position and that the offer was unconditional. As a consequence, the current Board of Directors will be replaced and the current management agreement terminated. The future of the Company will be reviewed by the incoming Directors.

There were no other 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:

Declaration date	Cents per share	Total amount \$'000	Payment date
<i>Dividend</i>			
1 March 2018	3.75	5,087	9 April 2018
<i>Return of capital</i>			
1 March 2018	3.25	4,408	9 April 2018

Matters subsequent to the end of the financial year

As noted above the Company has been the subject of a conditional off-market takeover bid (announced to the ASX on 4 July 2018). At the date of this report the bidder has been successful in gathering acceptances which can deliver it a controlling shareholder position. A new Board of Directors will be appointed after the date of this report and that Board will review the Company's strategy, operations and activities.

No other 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 (subject to the comments noted above under "Significant changes in the state of affairs" and "Matters subsequent to the end of the financial year").

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,

Directors' report (continued)

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 an insurance premium of \$38,475 in respect of the Directors' liability and legal expenses insurance contracts, for current and former Directors of the Company for the period from 31 October 2017 to 31 October 2018. The insurance premium relates 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 2018 financial year was approximately \$9,000 including GST (2017: \$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 13 and forms part of the Directors' report for the financial year ended 30 June 2018.

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.

Directors' report (continued)

This report is made with a resolution of the Directors.



Geoff Brunsdon
Chairman
Sydney
21 August 2018

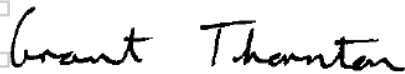
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Auditor's Independence Declaration

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 2018, 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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



G S Layland
Director – Audit & Assurance

Sydney, 21 August 2018

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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 – 3rd 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. Users of this report should be aware that the Company may have a completely new Board of Directors shortly after the date of this report.

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

Corporate Governance Statement (continued)

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.

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 2018. 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 2018.

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 6 to 7. Overall, the skills of the Board include the following key areas:

<u>Area of expertise</u>	
Private equity fund investment	✓
Investment strategy	✓
Investment banking	✓
Accounting & finance	✓
Board experience	✓
Corporate governance	✓

Corporate Governance Statement (continued)

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 Brunsdon and Tony Sims are considered to be independent.

The lengths of service relevant to the position of each Director are included on page 6.

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 Brunsdon 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.

Corporate Governance Statement (continued)

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 7 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
- a professional accountant who has been engaged by the Company to fulfil the accounting and tax requirements of the Company, similar to the functions of a Chief Financial Officer.

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.

Corporate Governance Statement (continued)

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). 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.

Corporate Governance Statement (continued)

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 the 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 thus it 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.

Corporate Governance Statement (continued)

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 and Tony Sims were remunerated by fees for an aggregate amount of \$70,000 per annum in 2018 (2017:\$70,000). 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 7 to 9.

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

As at 30 June	Note	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	11a	1,238	1,353
Receivables	12	11	14
Prepayments	13	13	9
Tax assets	15	-	28
Total current assets		1,262	1,404
Non-current assets			
Unlisted private equity investments	14	8,594	13,135
Deferred tax assets	15	-	-
Total non-current assets		8,594	13,135
Total assets		9,856	14,539
Current liabilities			
Payables	16	153	98
Tax liabilities	15	132	-
Total current liabilities		285	98
Non-current liabilities			
Deferred tax liabilities	15	-	1
Total non-current liabilities		-	1
Total liabilities		285	99
Net assets		9,571	14,440
Equity			
Issued capital	17	37,028	41,436
Accumulated losses		(27,457)	(26,996)
Total equity		9,571	14,440

The above Statement of financial position should be read in conjunction with the accompanying notes to the financial statements set out on pages 25 to 46

Statement of profit or loss and other comprehensive income

For the year ended 30 June	Note	2018 \$'000	2017 \$'000
Revenue			
Dividends and distributions received		5,631	5,981
Increase in net market value of financial assets held at fair value through profit or loss		-	-
Total revenue		5,631	5,981
Expenses			
Decrease in net market value of financial assets held at fair value through profit or loss		(504)	(5,699)
Management fees	22	(127)	(197)
Performance fees	22	-	(297)
Directors' fees		(70)	(70)
Other expenses	8	(295)	(655)
Total expenses		(996)	(6,918)
Results from operating activities		4,635	(937)
Finance income and expenses			
Finance income	9	22	41
Net finance income		22	41
Profit/(loss) before income tax		4,657	(896)
Income tax expense	10	(31)	(136)
Profit/(loss) for the period		4,626	(1,032)
Other comprehensive income		-	-
Total comprehensive income for the period		4,626	(1,032)
Earnings per share (EPS)			
	Note	2018 (cents)	2017 (cents)
EPS based on the weighted average number of ordinary shares			
Basic and diluted earnings per share for the year	18	3.41	(0.76)

The above Statement of financial position should be read in conjunction with the accompanying notes to the financial statements set out on pages 25 to 46.

Statement of changes in equity

For the year ended 30 June 2018			
	Issued Capital \$'000	Ret. Earn./ (Accum. Losses) \$'000	Total \$'000
At 30 June 2017	41,436	(26,996)	14,440
Total comprehensive income for the period			
Profit or loss	-	4,626	4,626
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	4,626	4,626
Transactions with owners, recorded directly in equity			
Shares bought back on market	-	-	-
Dividends provided for or paid	-	(5,087)	(5,087)
Return of capital provided for or paid	(4,408)	-	(4,408)
Total transactions with owners	(4,408)	(5,087)	(9,495)
Total equity at 30 June 2018	37,028	(27,457)	9,571

For the year ended 30 June 2017			
	Issued Capital \$'000	Ret. Earn./ (Accum. Losses) \$'000	Total \$'000
At 30 June 2016	50,253	(21,350)	28,903
Total comprehensive income for the period			
Profit or loss	-	(1,032)	(1,032)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(1,032)	(1,032)
Transactions with owners, recorded directly in equity			
Shares bought back on market	-	-	-
Dividends provided for or paid	-	(4,614)	(4,614)
Return of capital provided for or paid	(8,817)	-	(8,817)
Total transactions with owners	(8,817)	(4,614)	(13,431)
Total equity at 30 June 2017	41,436	(26,996)	14,440

The above Statement of financial position should be read in conjunction with the accompanying notes to the financial statements set out on pages 25 to 46.

Statement of cash flows

For the year ended 30 June	2018 \$'000	2017 \$'000
Cash flows from operating activities		
Dividends and distributions received	5,631	6,002
Interest received	21	109
Income tax refund/(paid)	128	(1,110)
Payments to suppliers and directors	(438)	(1,247)
Net cash flows from operating activities	11b	
	5,342	3,754
Cash flows from investing activities		
Proceeds from sale of unlisted private equity investments	-	2,148
Proceeds from capital returned on unlisted private equity investments	4,038	7,978
Calls paid for unlisted private equity investments	-	(149)
Proceeds of loans to shareholders of co-investments	-	18
Net cash flows from investing activities		
	4,038	9,995
Cash flows from financing activities		
Payments for shares bought back on market	-	-
Capital returns paid	(4,408)	(8,817)
Dividends paid	(5,087)	(4,614)
Net cash flows used in financing activities		
	(9,495)	(13,431)
Net (decrease)/increase in cash and cash equivalents held		
	(115)	318
Add opening cash and cash equivalents brought forward	1,353	1,035
Cash and cash equivalents at end of the period	11a	
	1,238	1,353

The above Statement of financial position should be read in conjunction with the accompanying notes to the financial statements set out on pages 25 to 46.

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 13, 23-25 Hunter 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 21 August 2018.

(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 2018.

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

(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.

Notes to the financial statements (continued)

(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.

Segment results 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).

Notes to the financial statements (continued)

(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

In the current year, there were no amendments to the AASB's issued by the Australian Accounting Standards Board that were mandatorily effective for an accounting period that begins on or after 1 July 2017 and therefore relevant for the current year end.

(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

Notes to the financial statements (continued)

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 funds are in the phase of their life cycles where they are seeking to dispose of investments so the portfolio has started to lose the benefits of diversification. Consequently, market price risk is now likely to create greater volatility in the value of the portfolio.

Notes to the financial statements (continued)

(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 2018, the Company did not have any direct investments denominated in foreign currencies, however some underlying investments in the private equity fund portfolio do have exposure to foreign currencies.

(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. The Company's cash holdings are held on a floating interest rate basis.

(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 a previous year, whereby the Company may 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.

Notes to the financial statements (continued)

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	Private Equity Investment Segment	
	2018 \$'000	2017 \$'000
External revenues	5,631	5,981
Reportable segment profit/(loss) before income tax	4,953	(662)
Reportable segment assets	8,604	13,145
Reportable segment liabilities	-	-
Reconciliation of reportable segment revenues, profit or loss, assets and liabilities and other material items		
	2018 \$'000	2017 \$'000
Revenues		
Total revenue for reportable segment	5,631	5,981
Total revenue	5,631	5,981
Profit or loss		
Total profit for reportable segment	4,953	(662)
Unallocated amounts:		
Other corporate expenses	(296)	(234)
Profit before income tax	4,657	(896)
Assets		
Total assets for reportable segment	8,604	13,145
Other assets	1,252	1,394
Total assets	9,856	14,539
Liabilities		
Total liabilities for reportable segment	-	-
Other liabilities	285	99
Total liabilities	285	99

Geographical information

The Company's investments are domiciled in Australia (2017: Australia).

Notes to the financial statements (continued)

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

	2018 \$'000	2017 \$'000
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Revenues

Australia	5,631	6,690
New Zealand	-	(709)
Total segment revenue	5,631	5,981

Non-current assets

Australia	8,594	13,135
New Zealand	-	-
Total non-current segment assets	8,594	13,135

8. Other expenses	2018 \$'000	2017 \$'000
Audit fees	81	79
Fees paid to Direct Capital Partners*	-	421
Registry fees	48	50
Sundry expenses	167	105
Total other expenses	296	655

* The Company's interest in Direct Capital Partners III (terminated in FY2017) was via a structure that was different to other funds in the portfolio. As a consequence, the Company brought to account 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.

9. Finance income and finance costs	2018 \$'000	2017 \$'000
Interest received	22	41
Net finance income recognised in profit or loss	22	41

10. Income tax expense	2018 \$'000	2017 \$'000
Current tax expense		
Current period	-	111
Adjustment for prior periods	31	2
Deferred tax benefit		
Origination and reversal of temporary differences	-	23
Total income tax expense	31	136

Notes to the financial statements (continued)

Reconciliation between tax expense and pre-tax accounting profit	2018 \$'000	2017 \$'000
Profit for the period	4,626	(1,032)
Total income tax expense	31	136
Profit excluding income tax	4,657	(896)
Income tax using the Company's tax rate of 30% (2017: 30%)	1,397	(269)
Impairment of deferred tax assets	-	-
Tax assets not recognised	-	275
Franking credit rebate	-	(23)
Franking account adjustment	(137)	137
Over provision in prior years	32	15
Non assessable income	(1,261)	-
Income tax expense reported in income statement	31	135

Notes to the financial statements (continued)

11a. Cash and cash equivalents	2018 \$'000	2017 \$'000
Cash at call	728	853
Term deposits	510	500
Cash and cash equivalents in the Statement of cash flows	1,238	1,353

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	2018 \$'000	2017 \$'000
Profit/(loss) for the period	4,626	(1,032)
<i>Adjustments for:</i>		
Change in fair value of investments classified as fair value through profit or loss	504	5,698
Adjustments to prior year tax components	-	91
Foreign exchange gain on NZD shareholder loans	-	(21)
Operating profit before changes in working capital	5,130	4,736
<i>Changes in working capital</i>		
Decrease in dividends receivable	1	-
Decrease/ (increase) in interest receivable	-	(2)
Decrease in other receivables	3	3
Increase in non-equity prepaid expenses	(4)	-
Decrease in deferred tax assets	-	23
Increase/ (decrease) in payables	52	(10)
Increase/(decrease) in tax provision	160	(996)
Decrease in deferred income tax liability	-	-
Net cash from operating activities	5,342	3,754

12. Receivables	2018 \$'000	2017 \$'000
Dividends/distributions receivable	9	10
Interest receivable	2	2
Other receivables	-	2
Total trade and other receivables	11	14

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

13. Prepayments	2018 \$'000	2017 \$'000
Prepaid insurance expenses	13	9
Total prepayments	13	9

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

Notes to the financial statements (continued)

14. Unlisted private equity investments	2018 \$'000	2017 \$'000
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Non-current investments held at fair value through profit or loss

Unlisted private equity investments	8,594	13,135
Total unlisted private equity investments	8,594	13,135

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	Balance Sheet		Profit or Loss	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<i>Deferred income tax assets</i>				
Accrued expenses	22	24	1	1
Revaluations of unlisted private equity investments	-	-	(4,642)	(4,856)
Impairment of deferred tax asset	(22)	(24)	4,641	4,832
Exchange losses on foreign cash	-	-	-	-
Gross deferred income tax assets	-	-	-	-
<i>Deferred income tax liabilities</i>				
Accrued interest	-	(1)	-	1
Exchange gains on foreign cash	-	-	-	1
Gross deferred income tax liabilities	-	(1)	-	-
Deferred tax expense				(21)

Deferred tax assets

In the prior year the Board reduced the deferred tax asset to nil (\$0) because of the uncertainty about the extent of the possible net uplift potential in the portfolio over the residual life of the Company, timing of future realisations and subsequent terminations of the funds in the portfolio. That uncertainty remains.

Notes to the financial statements (continued)

Current tax liabilities	2018 \$'000	2017 \$'000
Opening balance	(28)	968
Charged to income	133	7
Adjustment in respect of prior years	32	2
Payments of tax during the year	(5)	(1,109)
Franking adjustments	-	104
Total current tax (refundable)/liability	132	(28)

16. Payables	2018 \$'000	2017 \$'000
Related party payables (refer Note 22)	7	11
Trade and other payables	146	87
Total payables	153	98

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	2018 \$'000	2017 \$'000
Beginning of the year	41,436	50,253
Share buy-back	-	-
Capital return	(4,408)	(8,817)
Total contributed equity at 30 June	37,028	41,436

Number of Shares	2018 '000	2017 '000
On issue at the beginning of the year	135,644	135,644
Bought back on market and cancelled	(2)	-
Issued during the year	-	-
Total shares on issue	135,642	135,644

Issuance of ordinary shares

There were no shares issued during the year (2017: Nil).

During the year, no shares were issued as a result of exercising of options (2017: Nil) as there are no options on issue.

On market share buy back

On 28 October 2016, the Company announced the continuation of a share buy back of up to 10% of the capital of the Company (13.56 million shares). Since the original introduction of the scheme in October 2015 the Company has purchased 929,103 shares for \$243,076.

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.

Notes to the financial statements (continued)

There are currently no share options on issue.

Dividends and capital returns

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

2018	Cents per share	Total amount '000	Payment date
Capital return declared 1 March 2018	3.25	4,408	9 April 2018
Dividend declared 1 March 2018	3.75	5,087	9 April 2018
	7.00	9,495	

2017	Cents per share	Total amount '000	Payment date
Capital return declared 26 October 2016	3.80	5,155	25 November 2016
Dividend declared 26 October 2016	2.20	2,985	25 November 2016
Capital return declared 8 March 2017	2.70	3,662	12 April 2017
Dividend declared 8 March 2017	1.20	1,629	12 April 2017
	9.90	13,431	

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	2018 \$'000	2017 \$'000
30% franking credits available to shareholders of the Company for subsequent financial years	-	-
Balance at the end of the reporting period	-	-
Franking credits that will arise from the payment of the amount of provision for income tax	-	-
	-	-

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	2018 \$'000	2017 \$'000
Opening balance of the LIC capital gain account	63	63
Impact on the LIC capital gain account of the dividends paid or declared during the year	-	-
	63	63
This equates to an attributable amount of	90	90

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, it is unlikely that any significant LIC gains will be generated in the future.

Notes to the financial statements (continued)

18. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2018 was based on the profit attributable to ordinary shareholders of \$4.63 million (2017: loss of \$1.03 million) and a weighted average number of ordinary shares outstanding of 135.642 million shares (2017: 135.644 million), calculated as follows:

	2018 \$'000	2017 \$'000
Profit/(loss) attributable to ordinary shareholders	4,626	(1,032)

Number of Shares	Note	2018 '000	2017 '000
Issued ordinary shares at 1 July	17	135,644	135,644
Shares cancelled during the year		(2)	-
Shares issued during the year		-	-
Weighted average number of ordinary shares at 30 June		135,642	135,644

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 (2017: 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 \$8.59 million (2017: \$13.09 million) 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 2017.

	Equity 2018 \$'000	Equity 2017 \$'000	Profit or loss 2018 \$'000	Profit or loss 2017 \$'000
Private equity investments +10%	859	1,314	859	1,314
Private equity investments -10%	(859)	(1,314)	(859)	(1,314)

Notes to the financial statements (continued)

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:

	2018 \$'000	2017 \$'000
<i>Variable rate instruments</i>		
Financial assets	1,238	1,353
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 2017.

	Equity 2018 \$'000	Equity 2017 \$'000	Profit or loss 2018 \$'000	Profit or loss 2017 \$'000
Financial assets +100bps	12	14	12	14
Financial assets – 100bps	(12)	(14)	(12)	(14)
Financial liabilities +100bps	-	-	-	-
Financial liabilities – 100bps	-	-	-	-

Liquidity risk

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

30 June 2018	Carrying Amount \$'000	1 Month or less \$'000	1 month to 12 months \$'000	On Call \$'000
Trade and other payables	153	153	-	-
Private equity commitments	-	-	-	368

30 June 2017	Carrying Amount \$'000	1 Month or less \$'000	1 month to 12 months \$'000	On Call \$'000
Trade and other payables	98	98	-	-
Private equity commitments	-	-	-	796

Notes to the financial statements (continued)

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 2 years from balance sheet date.

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

In thousands of AUD			
Fund Name	Commitment	Drawn Capital	Undrawn Capital
Archer Capital Fund 4	9,242	9,092	150
CM Capital Venture Trust No 4	8,000	7,840	160
NBC Private Equity Fund III	10,000	10,000	-
Pacific Equity Partners Fund IV	7,280	7,232	48
Quadrant Private Equity No. 1	8,000	7,990	10
			368

Currency risk

The Company has no direct exposure to foreign currency risk (2017: no exposure).

Notes to the financial statements (continued)

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 \$1,261,760 (2017: \$1,376,505) being \$1,238,046 in relation to cash and cash equivalents (2017: \$1,352,897) and \$23,714 in relation to receivables (2017: \$23,608).

None of the Company's receivables are past due (2017: 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);

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

30 June 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets designated as fair value through profit or loss	-	-	8,594	8,594
	-	-	8,594	8,594

30 June 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets designated as fair value through profit or loss	-	-	13,135	13,135
	-	-	13,135	13,135

During the financial year, there were no transfers between levels 1, 2 or 3 (2017: Nil).

Reconciliation of Level 3 balances in the fair value hierarchy	2018 \$'000	2017 \$'000
Beginning balance	13,135	28,898
Unrealised (loss)/gain for the period recognised in the profit or loss	(504)	(5,699)
Purchases and calls paid for unlisted private equity investments	-	149
Sales of unlisted private equity investments	(494)	(2,148)
Capital returns from unlisted private equity investments	(5,253)	(7,978)
Proceeds received from repayment of investment loans	-	(18)
Foreign exchange (loss)/gain on settlement of investment loans	-	(69)
Increase in cost base per 2017 annual tax statement	1,710	-
Ending balance	8,594	13,135

Notes to the financial statements (continued)

Sensitivity analysis

The valuation inputs for the level 3 financial assets vary depending on the corporate structure of the investment. 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

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.

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

	2018 \$'000	2017 \$'000
Private equity commitments contracted but not provided for	368	796

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:

	2018 \$'000	2017 \$'000
Private equity commitments contracted but not provided for		
Within 1 year	50	100
Between 1 year and 5 years	50	100
Later than 5 years	-	-
	100	200

Notes to the financial statements (continued)

21. Contingencies

Contingent assets

As at the date of this report, the Company does not have any contingent assets (2017: nil).

Contingent liabilities

As at the date of this report, the Company has a potential liability of \$400,000 (2017: nil). This arises from a termination fee that may be payable to the Manager (see further detail below in Note 23).

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 (2017: \$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.

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:

			Transaction value year ended 30 June		Balance outstanding as at 30 June	
Key Management Person	Transaction		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Mr J Schahinger	Management Fees (i)		127	197	7	11
Mr J Schahinger	Performance Fees (ii)		-	297	-	-
			127	494	7	11

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

Notes to the financial statements (continued)

(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.

Due to lagging the relevant benchmarks for the 3 year period ended 30 November 2017 there was no Performance Fee payable to the Manager during the year (2017: \$297,000 excluding GST).

(iii) Termination Fee

As noted in the Director's Report (and in note 23 below), on 6 June 2018 the Company announced that it and Mercantile OFM Pty Limited had entered into an Implementation Agreement under which Mercantile proposed a conditional off-market takeover bid for all IPE shares at A\$0.0775 per share. Pursuant to that Agreement the Company and the Manager entered into a Deed of Termination under which the current management agreement would be terminated at the end of the offer period if Mercantile achieves a majority holding in IPE and the offer becomes unconditional. A termination fee of \$400,000 (which was reviewed by the independent Expert as part of the Target's Statement released on 4 July 2018) would then be payable by the Company to the Manager. As Mercantile advised that it now has a majority holding and the offer was declared unconditional on 3 August, the current management agreement will be terminated and the fee paid following the end of the offer period (currently scheduled to be 31 August 2018).

23. Subsequent events

On 6 June 2018 the Company announced that it and Mercantile OFM Pty Limited had entered into an Implementation Agreement under which Mercantile proposed a conditional off-market takeover bid for all IPE shares at A\$0.0775 per share. The offer formally commenced on 4 July 2018 and on 3 August Mercantile announced that it had achieved a controlling position and that the offer was unconditional. As a consequence, the current Board of Directors will be replaced and the current management agreement terminated. The future of the Company will be reviewed by the incoming Directors.

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

24. Auditors' remuneration	2018 \$	2017 \$
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Audit and review of financial statements

Auditors of the Company

Audit and review of financial reports – Grant Thornton	67,400	66,400
Remuneration for audit and review of financial statements	67,400	66,400

Notes to the financial statements (continued)

Other services

Auditors of the Company

Taxation services – Grant Thornton	9,000	9,000
Total other service remuneration	9,000	9,000
Total auditor's remuneration	76,400	75,400

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 21 to 46, and the Remuneration report in the Directors' report, set out on pages 7 to 9, 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 2018 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 2018.
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
21 August 2018

Independent Auditor's Report

To the Members of IPE Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of IPE Limited (the Company), which comprises the statement of financial position as at 30 June 2018, 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, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Company 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 2018 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Unlisted Private Equity Investments Valuations (Note 5 and Note 14)</p> <p>As at 30 June 2018 the Company's Unlisted Private Equity Investments were \$8,594,101.</p> <p>Investments include unlisted/unquoted investments which poses the risk that the investment value measured by the fund managers using valuation models or similar techniques could be incorrect.</p> <p>This area is a key audit matter due to the judgments and estimates required in determining the appropriate valuation of unlisted private equity investments.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • reviewing the history of the performance of fund managers in valuing the underlying investments by comparing sales prices to valuations performed prior to sale and discussing with management; • discussing with management the procedures in place to ensure valuations are reasonable; • agreeing a qualitative selection of fund values to unit price statements; • engaging a valuation expert to perform the following in relation to the valuations of the underlying investments in each of the portfolios we selected on a qualitative selection basis: <ul style="list-style-type: none"> – reviewing the reasonableness of the valuation methodology; and – reviewing the reasonableness of the multiples used by the fund manager including a review of comparable companies and review of maintainable earnings. • agreeing movements in cost of investments to distribution and call notes; • comparing the value of funds to the prior period and obtaining explanations for movements taking into consideration the industry of the underlying investments of fund; and • assessing the adequacy of the Company's related disclosures within the financial report.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' 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* and for 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.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the remuneration report

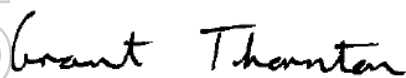
Opinion on the remuneration report

We have audited the Remuneration Report included in pages 7 to 9 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of IPE Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



G S Layland
Director – Audit & Assurance

Sydney, 21 August 2018

Additional ASX disclosures (continued)

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 31 July 2018.

On 6 June 2018 the Company announced that it and Mercantile OFM Pty Limited ("Mercantile") had entered into an Implementation Agreement under which Mercantile proposed a conditional off-market takeover bid ("the Offer") for all IPE shares at A\$0.0775 per share. The offer formally commenced on 4 July 2018 and the Bidder started receiving acceptances soon after. If the offer results in Mercantile achieving control of the Company and the offer becomes unconditional Mercantile will make payment in accordance with the timing set out in the Bidder's Statement or in subsequent releases announced to the ASX. That payment may not take place until after the release of this Annual Report and the register of shareholdings will not change until the payments are made. Hence the shareholder information below is not reflective of the acceptances that Mercantile has received as at 31 July 2018 and announced to the ASX.

Shareholdings

Twenty largest security holders

The names of the twenty largest holders of quoted securities (ordinary shares) were:

Rank	Name	Shares held	% held
1	STAFFORD FUND NOMINEES PTY LTD	34,369,189	25.34
2	ONE MANAGED INVT FUNDS LTD	30,545,989	22.52
3	EAGLE EYE EQUITIES PTY LTD	4,960,000	3.66
4	LIC INVESTMENTS PTY LTD	3,500,000	2.58
5	31 MAY PTY LTD	1,640,418	1.21
6	NATIONAL NOMINEES LIMITED	1,302,718	0.96
7	MRS MARY EVELYN ABBOTT	1,230,000	0.91
8	JESENA PTY LTD	1,183,242	0.87
9	BNP PARIBAS NOMS PTY LTD	1,082,562	0.80
10	AFTERNOON LIGHT PTY LTD	1,028,160	0.76
11	EUREKA BENEVOLENT FOUNDATION LTD	1,020,000	0.75
12	MR THOMAS WATSON MILLER	1,005,000	0.74
13	MR DAVID IAN STERN	1,000,000	0.74
14	PISAC PTY LTD	900,000	0.66
15	MEGAN PTY LTD	826,700	0.61
16	MR RICHARD PHILIP WILKINS	825,000	0.61
17	MS LYNDA ROSE MCKIE & MR HOWARD CLARK HAMLYN	668,570	0.49
18	MEROMA PTY LIMITED	640,000	0.47
19	OBLIQUE PTY LIMITED	600,000	0.44
19	MR NICK MASI	600,000	0.44
19	ABBWOOD NOMINEES PTY LTD	600,000	0.44
20	MR WILLEM BARTUS JOSEF SLOT & MRS HANNA SLOT	559,355	0.41
Total		90,086,903	66.41

Additional ASX disclosures (continued)

Substantial Shareholders

Before the Offer formally commenced on 4 July 2018, the number of shares held by substantial shareholders and their associates was:

Shareholder	Ordinary shares held
Stafford Fund Nominees Pty Limited ATF Stafford Private Equity 4 Fund	34,369,189
Mercantile Investment Company Limited	30,545,989

Since the Offer commenced, Mercantile has been releasing substantial shareholder notices to the ASX reflecting the acceptances that it has received. The notice released on 16 August 2018 showed that Mercantile had an interest in 120,138,652 shares (88.57% of total shares on issue).

Voting rights

Ordinary shares

Refer Note 17 in the financial statements

Distribution of equity security holders (as at 31 July 2018)

Category	Number of equity security holders	Number of shares
1-1,000	74	23,953
1,001-5,000	487	1,534,401
5,001-10,000	338	2,629,848
10,001-100,000	696	22,151,469
100,001 and over	106	109,302,428
	1,701	135,642,099
The number of shareholders holding less than a marketable parcel of securities is:	673	2,214,230

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.

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:

- invest and manage the Portfolio in accordance with the terms of the Agreement; and
- perform various administration services, specifically:
 - preparing financial statements required to be issued by the Company;

Additional ASX disclosures (continued)

- 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 \$126,880 (2017: \$357,475).

Performance fees paid during the reporting year were \$Nil (2017: \$289,949).

Investment Portfolio

The investments held by IPE Limited at balance date were:

Unlisted private equity investments

Archer Capital Fund 4

Pacific Equity Partners Fund IV

CM Capital Venture Trust No. 4

Quadrant Private Equity No.1

NBC Private Equity Fund III

Directory

IPE Limited

ABN 48 107 843 381

Directors

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

Jon Schahinger (Managing Director)

Tony Sims (Independent and Non-Executive Director)

Company Secretary

Jon Schahinger

Registered Office of the Company

Level 13, 23-25 Hunter Street

Sydney NSW 2000

Australia

E: ipe@pafunds.com.au

T: +61 2 8298 5161

Manager

Pomona Australia Pty Limited

27 Greeves Street

Fitzroy VIC 3065

Australia

T: +61 (0) 411 404 280

Registrar

Link Market Services Limited

Level 12, 680 George Street

Sydney NSW 2000

Australia

Free call: +61 1800 891 098

Email: 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

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.