



**Monash Absolute Investment
Company Limited
Appendix 4E
for the period ended 30 June 2016**

Preliminary Final Report

This preliminary final report is for the reporting period from 20 January 2016 to 30 June 2016. This is the first reporting period for the Company.

Results for announcement to the market*

	\$
Revenue from ordinary activities	365,133
Loss before tax for the period	(47,631)
Loss from ordinary activities after tax attributable to members	(18,578)

*The amount and percentage up or down from previous period are not disclosed as this is the first reporting period for the Company.

Dividends

There were no dividends paid or proposed to be paid for the reporting period. Further information in respect of the Company's dividend policy is contained in Section 3.8 of the Company's Prospectus which was issued on 23 February 2016.

The Company has established a dividend reinvestment plan (DRP) for shareholders. The terms of this DRP are summarised in Section 10.5 of the Company Prospectus.

Net tangible assets

	30 June 2016 \$
Net tangible asset backing (per share) before tax	0.9605
Net tangible asset backing (per share) after tax	0.9724

The NTA calculations do not include the effect of any dilution that would arise from the conversion of any unexercised options.

Brief explanation of results

The gross portfolio return before all fees and expenses was approximately +0.51% for the period from inception to 30 June 2016.

Other information required by Listing Rule 4.3A

The Company has the ability to hedge market risk and apply hedging strategy.

Audit

This report is based on the financial report which has been audited. All the documents comprise the information required by Listing Rule 4.3A.

Monash Absolute Investment Company Limited
Statement of Comprehensive Income
For the period ended 30 June 2016

	Notes	For the period 20 January 2016 to 30 June 2016 \$
Investment income from ordinary activities		
Net realised gains on investments		194,158
Net unrealised gains on investments		10,441
Dividend income		49,214
Interest income		<u>111,320</u>
		<u>365,133</u>
Expenses		
Management fees		(173,669)
Brokerage expense		(97,465)
Stock loan fees		(5,611)
Accounting fees		(18,450)
Share registry fees		(11,596)
Tax fees		(9,900)
Legal fees		(416)
Directors' fees		(22,500)
ASX fees		(19,433)
Audit fees	18	(24,750)
Other expenses		<u>(28,974)</u>
		<u>(412,764)</u>
Loss before income tax		(47,631)
Income tax benefit	7	<u>29,053</u>
Loss for the period		<u>(18,578)</u>
Other comprehensive income for the period, net of tax		<u>-</u>
Total comprehensive loss for the period		<u>(18,578)</u>
		Cents
Losses per share for (loss) from continuing operations attributable to the ordinary equity holders of the Company:		
Basic losses per share	22	(0.07)
Diluted losses per share	22	(0.07)
Losses per share for (loss) attributable to the ordinary equity holders of the Company:		
Basic losses per share	22	(0.07)
Diluted losses per share	22	(0.07)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Monash Absolute Investment Company Limited
Statement of Financial Position
As at 30 June 2016

	Notes	At 30 June 2016 \$
ASSETS		
Current assets		
Cash and cash equivalents	8	20,325,794
Trade and other receivables	9	1,122,964
Financial assets at fair value through profit or loss	10	42,630,131
Other current assets		19,456
Total current assets		<u>64,098,345</u>
Non-current assets		
Deferred tax assets	11	632,651
Total non-current assets		<u>632,651</u>
Total assets		<u>64,730,996</u>
LIABILITIES		
Current liabilities		
Trade and other payables	12	7,644,274
Financial liabilities at fair value through profit or loss	13	6,021,055
Total current liabilities		<u>13,665,329</u>
Non-current liabilities		
Deferred tax liabilities	14	8,292
Total non-current liabilities		<u>8,292</u>
Total liabilities		<u>13,673,621</u>
Net assets		<u>51,057,375</u>
EQUITY		
Issued capital	15	51,075,953
Profits reserve	16(a)	1,236,026
Accumulated losses	16(b)	(1,254,604)
Total equity		<u>51,057,375</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Monash Absolute Investment Company Limited
Statement of Changes in Equity
For the period ended 30 June 2016

	Notes	Issued capital \$	Profits reserve \$	Retained earnings/ (Accumulated losses) \$	Total \$
Balance at 20 January 2016		-	-	-	-
Net profit/(loss) for the period		-	-	(18,578)	(18,578)
Total comprehensive income/(loss) for the period		-	-	(18,578)	(18,578)
Transactions with owners in their capacity as owners:					
Shares issued at incorporation	15	1	-	-	1
Shares issued under IPO	15	52,465,000	-	-	52,465,000
Costs of issued capital, net of tax		(1,389,048)	-	-	(1,389,048)
Transfer to profits reserve	16(a)	-	1,236,026	(1,236,026)	-
		<u>51,075,953</u>	<u>1,236,026</u>	<u>(1,236,026)</u>	<u>51,075,953</u>
Balance at 30 June 2016		51,075,953	1,236,026	(1,254,604)	51,057,375

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Monash Absolute Investment Company Limited
Statement of Cash Flows
For the period ended 30 June 2016

		For the period 20 January 2016 to 30 June 2016 \$
	Notes	
Cash flows from operating activities		
Proceeds from short sale of financial liabilities held at fair value through profit or loss		10,095,062
Re-purchase of financial liabilities held at fair value through profit or loss		(4,544,793)
Proceeds from sale of financial assets held at fair value through profit or loss		3,396,164
Purchase of financial assets held at fair value through profit or loss		(38,760,092)
Brokerage expenses		(105,866)
Interest received		83,679
Investment management fees paid		(117,894)
Payments for other expenses		(88,120)
Net cash outflow from operating activities	21	<u>(30,041,860)</u>
Cash flows from financing activities		
Share issue transaction costs		(2,097,347)
Shares issued		<u>52,465,001</u>
Net cash inflow from financing activities		<u>50,367,654</u>
Net increase in cash and cash equivalents		20,325,794
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at end of period	8	<u>20,325,794</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 General information

Monash Absolute Investment Company Limited (the "Company") is a listed public company domiciled in Australia. The address of Monash Absolute Investment Company Limited's registered office is Level 12, 225 George Street, Sydney, NSW 2000. The Company's investment strategy is to invest in a portfolio of Australian and international listed equity securities, Pre-IPO securities, exchange traded and over-the counter derivatives and cash.

The Company was registered with the Australian Securities and Investments Commission (ASIC) on 20 January 2016 and commenced operations on 12 April 2016, following its successful listing on the ASX. The financial statements of Monash Absolute Investment Company Limited are for the period from 20 January 2016 to 30 June 2016.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this financial statements are set out below. The financial statements are for the Company Monash Absolute Investment Company Limited.

(a) Basis of preparation

This general purpose financial statements has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Monash Absolute Investment Company Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Monash Absolute Investment Company Limited also complies with IFRS as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Company

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial period that have a material impact on the Company.

(iii) Historical cost convention

This financial statements has been prepared under the accruals basis and are based on historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

(iv) Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by the Company
AASB 9 <i>Financial Instruments</i>	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.	Following the changes approved by the AASB in December 2014, the Company no longer expects any impact from the new classification, measurement and derecognition rules on the Company's financial assets and financial liabilities as they are carried at fair value through profit or loss, the derecognition rules have not changed from previous requirements and the company does not apply hedge accounting.	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Company has not yet decided whether it will early adopt AASB 9.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by the Company
AASB 15 <i>Revenue from Contracts with Customers</i>	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.	The Company's main sources of income are interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the Directors do not expect the adoption of AASB 15 to have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.	Mandatory for financial years commencing on or after 1 January 2018. The Company has not yet decided whether it will early adopt AASB 15.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(i) *Investment income*

Profits and losses realised from the sale of investments and unrealised gains and losses on securities held at fair value are included in the Statement of Comprehensive Income in the period they are incurred in accordance with the policies described in Note 2(g).

(ii) *Dividends*

Dividends are recognised as revenue when the right to receive payment is established.

(iii) *Interest income*

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income is recognised on a gross basis, including any withholding tax, if any.

(iv) *Other income*

The Company recognises other income when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company.

2 Summary of significant accounting policies (continued)

(c) Income tax

The income tax expense/(income) for the period comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the period. Trades are recorded on trade date, and for equities normally settled within two business days. A provision for impairment of amounts due from brokers is recognised in the Statement of Comprehensive Income when there is objective evidence that the Company will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

(f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

2 Summary of significant accounting policies (continued)

(g) Financial assets and liabilities

The Company's investments are classified as at fair value through profit or loss. They comprise:

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

Classification

These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments and unlisted trusts.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is to evaluate information about these financial instruments on a fair value basis together with other related financial information.

Recognition and derecognition

Purchases and sales of financial assets at fair value through profit or loss are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures financial assets at fair value. Transaction costs of financial assets at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

When an investment is disposed, the cumulative gain or loss, net of tax thereon, is recognised as realised gains and losses from the sale of financial instruments in the Statement of Comprehensive Income.

The Company's accounting policy on fair value measurements is discussed in Note 4.

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(j) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(k) Profits reserve

A profits reserve has been created representing an amount allocated on a monthly basis from retained earnings that is preserved for future dividend payments.

2 Summary of significant accounting policies (continued)

(l) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

In accordance with the Act, the Company may pay a dividend where the Company's assets exceed its liabilities, the payment of the dividend is fair and reasonable to the Company's shareholders as a whole and the payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

The amount of any dividend will be at the discretion of the Board. Currently, it is the Board's intention that all dividends paid to shareholders will be franked to 100% or to the maximum extent possible.

(m) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Where applicable, the Company qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 75%; hence fees for these services have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the taxation authority.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(o) Functional and presentation currency

The functional and presentation currency of the Company is Australian dollars.

(p) Comparatives

The Company was registered with ASIC on 20 January 2016 and commenced operations on 12 April 2016. The reporting period covers the period 20 January 2016 to 30 June 2016 hence there is no comparative information.

2 Summary of significant accounting policies (continued)

(q) Operating segments

The Company operated in Australia only and the principal activity is investing.

3 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Board of the Company has implemented a risk management framework to mitigate these risks.

(a) Market risk

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign exchange risk

Exposure

The Company is not materially exposed to currency risk as the majority of its investments are quoted in Australian dollars.

Sensitivity

The analysis is based on the assumption that the Australian dollar weakened and strengthened by 10% against the foreign currencies to which the Company is exposed. The impact on post-tax loss for the period from 20 January 2016 would be \$32,979 lower/\$32,979 higher.

(ii) Other price risk

Exposure

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets at fair value through profit or loss.

The Company's investment sector as at 30 June is as below:

Sector	2016 (%)
Information technology	13.94
Financial services	25.68
Health care	14.75
Consumer staples	14.59
Industrials	4.77
Consumer discretionary	17.76
Materials	5.31
Telecommunications services	3.20
Total	100.00

As at 30 June 2016 eight securities represented over 5% of the long or short investment portfolio.

3 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity

The following table illustrates the effect on the Company's equity from possible changes in market risk that were reasonably possible based on the risk the Company was exposed to at reporting date, assuming a flat tax rate of 30 per cent:

	Impact on post-tax (loss)/profit 2016 \$
Decrease 5%	(1,702,791)
Increase 5%	1,702,791
Decrease 10%	(3,405,583)
Increase 10%	3,405,583

Post-tax (loss)/profit for the period would increase/decrease as a result of (losses)/gains on equity securities classified as at fair value through profit or loss.

At balance date, the net portfolio position was \$36,609,076.

(i) Cash flow and fair value interest rate risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

At 30 June 2016

	Floating interest rate \$	Fixed interest rate \$	Non- interest bearing \$	Total \$
Financial assets				
Cash and cash equivalents	20,325,794	-	-	20,325,794
Trade and other receivables	-	-	1,122,964	1,122,964
Financial assets held at fair value through profit or loss	-	-	42,630,131	42,630,131
Other assets	-	-	4,270	4,270
	<u>20,325,794</u>	<u>-</u>	<u>43,757,365</u>	<u>64,083,159</u>
Financial liabilities				
Trade and other payables	-	-	(7,644,274)	(7,644,274)
Financial liabilities held at fair value through profit or loss	-	-	(6,021,055)	(6,021,055)
	<u>-</u>	<u>-</u>	<u>(13,665,329)</u>	<u>(13,665,329)</u>
Net exposure to interest rate risk	<u>20,325,794</u>	<u>-</u>	<u>30,092,036</u>	<u>50,417,830</u>

3 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity

At 30 June 2016, if interest rates had increased or decreased by 75 basis points from the period end rates with all other variables held constant, post-tax loss for the period would have been \$106,710 lower/\$106,710 higher, mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements. The Company is also exposed to counterparty credit risk on derivatives financial instruments, cash and cash equivalents, amounts due from brokers and other receivables.

The Company manages credit risk by only entering into agreements with credit worthy parties.

(c) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Investment Manager manages liquidity risk by monitoring the asset size of the Company as a whole on executing transactions.

The assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary.

Maturities of financial liabilities

All non-derivative financial liabilities of the Company have maturities of less than 1 month.

4 Fair value measurements

The Company measures and recognises the following assets at fair value on a recurring basis:

- Financial assets at fair value through profit or loss (FVTPL)

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

4 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

(i) Recognised fair value measurements

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June.

At 30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Listed equity securities	41,105,881	-	-	41,105,881
Unlisted equity securities	-	1,053,125	-	1,053,125
International listed equity securities	471,125	-	-	471,125
Total financial assets	41,577,006	1,053,125	-	42,630,131
Financial liabilities				
Listed equity securities short sale	(6,021,055)	-	-	(6,021,055)
Total financial liabilities	(6,021,055)	-	-	(6,021,055)

Included within Level 1 of the hierarchy are listed investments. The fair value of these financial assets have been based on the last sale prices at the end of the reporting period, excluding transaction costs.

The investments included in Level 2 of the hierarchy include amounts in relation to Initial Public Offerings and Placements in which the Company has subscribed to during the period. These investments have not listed on the Australian Securities Exchange as at period end and therefore represent investments in an inactive market. In valuing these unlisted investments, included in Level 2 of the hierarchy, the fair value has been determined using the valuation technique of the subscription price and the amount of securities subscribed for by the Company under the relevant offers without any deduction for estimated future selling costs.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the period.

(ii) Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

The carrying amounts of trade and other receivables and payables are reasonable approximations of their fair values due to their short-term nature.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Income taxes

The Company has recognised deferred tax assets relating to current period tax losses, capitalised share issue costs and unrealised losses on investments of \$632,651 at 30 June 2016. However, utilisation of the tax losses also depends on the ability of the Company to satisfy certain tests at the time the losses are recouped. The Company may fail to satisfy the continuity of ownership test and therefore has to rely on the same business test. If the Company fails to satisfy the test, the deferred tax asset of \$125,383 that are currently recognised would be written off to income tax expense. Refer to Note 11 for further discussion of accounting for deferred tax assets.

5 Critical accounting estimates and judgements (continued)

Financial instruments

For the majority of the Company's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the responsible entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. For more information on how fair value is calculated please see Note 4 to the financial statements.

6 Segment information

The Company has only one reportable segment. The Company is engaged solely in investment activities conducted in Australia, deriving revenue from dividend income, interest income and from the sale of its investments.

7 Income tax benefit

(a) Income tax benefit through profit or loss

	For the period 20 January 2016 to 30 June 2016 \$
Current tax on losses for the period	-
Deferred tax on temporary differences	88,038
	<u>88,038</u>
<i>Income tax benefit is attributable to:</i>	
Loss from continuing operations	<u>88,038</u>

(b) Numerical reconciliation of income tax benefit to prima facie tax payable

	For the period 20 January 2016 to 30 June 2016 \$
Loss from continuing operations before income tax benefit	(47,631)
Tax at the Australian tax rate of 30.0%	(14,289)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	
Franking credits on dividends received	<u>(14,764)</u>
Income tax benefit	<u>(29,053)</u>
The applicable weighted average effective tax rates are as follows:	(61.00%)

7 Income tax benefit (continued)

(c) Amounts recognised directly in equity

	Notes	For the period 20 January 2016 to 30 June 2016 \$
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Deferred tax: Share issue costs	11, 14	476,245

8 Current assets - Cash and cash equivalents

	At 30 June 2016 \$
Current assets	
Cash at bank	20,325,794
	<u>20,325,794</u>

(i) Reconciliation to cash at the end of the period

The above figures are reconciled to cash at the end of the financial period as shown in the Statement of Cash Flows as follows:

	At 30 June 2016 \$
Balances as above	<u>20,325,794</u>

(b) Risk exposure

The Company's exposure to interest rate risk is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash investments are made with the following financial institutions:

	Standard & Poor's Rating
Australia and New Zealand Banking Group Ltd	AA-
UBS AG, Australia Branch	A+

9 Current assets - Trade and other receivables

	At 30 June 2016 \$
Other receivables	4,270
Dividends receivable	49,214
Interest receivable	27,641
GST receivable	137,653
Unsettled trades	904,186
	<u>1,122,964</u>

Receivables are non-interest bearing and unsecured.

Fair value and credit risk

Due to the short-term nature of these receivables, the carrying amounts are reasonable approximations of their fair value. There are no past due or impaired receivables.

10 Current assets - Financial assets at fair value through profit or loss

	At 30 June 2016 \$
Equity securities	42,630,131

The market values of all investments as at 30 June 2016 are disclosed on page of the Annual Report.
Listed securities are readily saleable with no fixed terms.

Changes in fair values of financial assets at fair value through profit or loss are recorded in investment income in the Statement of Comprehensive Income.

(a) Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial period was 139. Each investment transaction may involve multiple contract notes.

The total brokerage paid on these contract notes was \$123,218 (inclusive of GST).

(b) Risk exposure and fair value measurements

Information about the Company's exposure to price risk and about the methods and assumptions used in determining fair value is provided in Note 3.

11 Non-current assets - Deferred tax assets

	At 30 June 2016 \$
The balance comprises temporary differences attributable to:	
Capitalised share issue costs	476,245
Tax losses carried forward	125,383
Other temporary differences	10,395
Net unrealised losses on investments	20,628
	<u>632,651</u>
	Total
	\$
Movements:	
Opening balance 20 January 2016	-
(Charged)/credited:	
- directly to equity	476,245
- directly to profit or loss	156,406
Closing balance 30 June 2016	<u>632,651</u>

12 Current liabilities - Trade and other payables

	At 30 June 2016 \$
Management fees payable	68,482
Unsettled trades	7,495,004
Other payables	80,788
	<u>7,644,274</u>

Trade and other payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are reasonable approximations of their fair values, due to their short-term nature.

13 Current liabilities - Financial liabilities at fair value through profit or loss

	At 30 June 2016 \$
Equity securities sold short	<u>6,021,055</u>

When the Company sells securities it does not possess, it has to cover this short position by acquiring securities at a later date and is therefore exposed to price risk of those securities sold short. The sales agreement is usually settled by delivering borrowed securities. However, the Company is required to return those borrowed securities at a later date.

14 Non-current liabilities - Deferred tax liabilities

	At 30 June 2016 \$
The balance comprises temporary differences attributable to:	
Other temporary differences	8,292
	<u>8,292</u>
Movements:	Total \$
Opening balance 20 January 2016	
Charged/(credited)	
- profit or loss	8,292
Closing balance 30 June 2016	<u>8,292</u>

15 Issued capital

(a) Share capital

	Notes	30 June 2016 Shares	30 June 2016 \$
Ordinary shares	15(c)	<u>52,465,001</u>	<u>51,075,953</u>
(b) Movements in ordinary share capital			
Shares issued at incorporation		1	1
Shares issued under IPO	15(d)	52,465,000	52,465,000
Cost of issued capital, net of tax		-	(1,389,048)
Closing balance 30 June 2016		<u>52,465,001</u>	<u>51,075,953</u>

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Shares under IPO

The Company issued a Prospectus on 23 February 2016 for the offer of up to 80,000,000 fully paid ordinary shares at an offer price of \$1.00 per share to raise up to \$80,000,000. Under the offer, there was also an entitlement to 1 option for every 1 ordinary shares subscribed for, which are exercisable at an exercise price of \$1.00 per share on or before 29 September 2017. On 12 April 2016, the Company issued 52,465,000 fully paid ordinary shares under this initial public offering at \$1.00 per share.

(e) Options

On 12 April 2016, as part of the initial public offering the Company issued 52,465,000 options to acquire ordinary shares in the Company at an exercise price of \$1.00 on or before 29 September 2017.

15 Issued capital (continued)

(f) Capital risk management

The Board of Directors will actively manage the capital of the Company. The overriding intention is to deliver value to shareholders.

To achieve this the Board monitor the monthly NTA results, investment performance, the Company's Indirect Cost Ratio and share price movements.

The Company is not subject to any externally imposed capital requirements.

16 Profits reserve and retained earnings/(accumulated losses)

(a) Profits reserve

	At 30 June 2016 \$
Profits reserve	1,236,026
	<u>1,236,026</u>

This reserve details an amount preserved for future dividend payments as outlined in accounting policy Note 2(k).

	At 30 June 2016 \$
Movements:	
Opening balance	-
Transfer from retained earnings	1,236,026
Closing balance	<u>1,236,026</u>

(b) Accumulated losses

Movements in accumulated losses were as follows:

	At 30 June 2016 \$
Opening balance	-
Net loss for the period	(18,578)
Transfer to profits reserve	<u>(1,236,026)</u>
Closing balance	<u>(1,254,604)</u>

17 Dividends

(a) Dividend franking account

The franked portions of the final dividends recommended after 30 June 2016 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period ended 30 June 2017.

The Company's franking account balance as at 30 June 2016 was nil. Subsequent to year end, the Company will receive \$21,092 in franking credits as a result of dividends accrued at 30 June 2016.

18 Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

(i) Audit and other assurance services

	For the period 20 January 2016 to 30 June 2016 \$
<i>Audit and other assurance services</i>	
Audit of financial statements	24,750
Other assurance services	
Other assurance	30,011
Other non-assurance	1,000
	<u>31,011</u>
 Total remuneration for audit and other assurance services	 <u>55,761</u>
 <i>Taxation services</i>	
Tax compliance services	9,900
Total remuneration for taxation services	<u>9,900</u>
 Total remuneration of Pitcher Partners	 <u>65,661</u>

The Company's Audit Committee oversees the relationship with the Company's External Auditors. The Audit Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other audit-related tax compliance services provided by the audit firm, to ensure that they do not compromise independence.

19 Contingent assets and liabilities and commitments

The Company had no contingent assets, liabilities or commitments as at 30 June 2016.

20 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

21 Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities

	For the period 20 January 2016 to 30 June 2016 \$
(Loss)/profit for the period	(18,578)
Fair value (gains)/losses on financial assets at fair value through other comprehensive income	(36,609,076)
Change in operating assets and liabilities:	
Increase/(decrease) in trade and other receivables	(1,009,971)
Increase/(decrease) in other current assets	(19,456)
(Increase)/decrease in deferred tax assets	(37,345)
Increase/(decrease) in trade and other payables	7,644,274
Increase in deferred tax liabilities	8,292
Net cash outflow from operating activities	<u>(30,041,860)</u>

22 Losses per share

(a) Basic losses per share

	For the period 20 January 2016 to 30 June 2016 Cents
Basic losses per share attributable to the ordinary equity holders of the Company	<u>(0.07)</u>

(b) Diluted losses per share

	For the period 20 January 2016 to 30 June 2016 Cents
Diluted losses per share attributable to the ordinary equity holders of the Company	<u>(0.07)</u>

Diluted losses per share are the same as basic losses per share. The Company currently has outstanding options which have the potential to convert to ordinary shares, but as the average share price from listing to 30 June 2016 is not in excess of the option exercise price, they are currently anti-dilutive in amount and therefore they are not considered for the diluted losses per share calculation.

22 Losses per share (continued)

(c) Weighted average number of shares used as denominator

	For the period 20 January 2016 to 30 June 2016 Number
Weighted average number of ordinary shares used as the denominator in calculating basic losses per share	<u>25,584,785</u>
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted losses per share	<u>25,584,785</u>

The weighted average number of shares used as the denominator in calculating basic and diluted losses per share is based on the average number of shares from 20 January 2016, being the date of incorporation to 30 June 2016. The basic and diluted losses per share would have been (0.04) cents per share if calculated from 12 April 2016 as the Company only had one share on issue and no earnings up to this date.