

**Investors Mutual Limited  
Managed Investment Schemes  
Financial reports for the year ended 30 June 2016**

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The Responsible Entity of the schemes listed below is Investors Mutual Limited (ABN 14 078 030 752). The Responsible Entity's registered office is:

Investors Mutual Limited  
Level 24  
25 Bligh Street  
Sydney, NSW 2000

The financial reports consist of 7 separate schemes:

**Investors Mutual Australian Share Fund**

ARSN 093 182 695

**Investors Mutual Equity Income Fund**

ARSN 107 095 438

**Investors Mutual Australian Smaller Companies Fund**

ARSN 093 182 471

**Investors Mutual Industrial Share Fund**

ARSN 093 182 195

**Investors Mutual Future Leaders Fund**

ARSN 093 182 828

**Investors Mutual Small Cap Fund**

ARSN 122 918 496

**Investors Mutual Concentrated Australian Share Fund**

ARSN 145 759 879

## Directors' report

The directors of Investors Mutual Limited, the Responsible Entity of the following schemes:

Statutory name	Referred to in this document as
Investors Mutual Australian Share Fund	Australian Share Fund
Investors Mutual Equity Income Fund	Equity Income Fund
Investors Mutual Australian Smaller Companies Fund	Smaller Companies Fund
Investors Mutual Industrial Share Fund	Industrial Share Fund
Investors Mutual Future Leaders Fund	Future Leaders Fund
Investors Mutual Small Cap Fund	Small Cap Fund
Investors Mutual Concentrated Australian Share Fund	Concentrated Australian Share Fund

present their report together with the financial reports of the schemes for the year ended 30 June 2016 and the audit report thereon.

## Responsible Entity

The Responsible Entity of the schemes is Investors Mutual Limited (ABN 14 078 030 752). The Responsible Entity's registered office is:

Investors Mutual Limited  
Level 24  
25 Bligh Street  
Sydney, NSW 2000

## Principal activities

During the year, the schemes continued to invest in accordance with target asset allocations as set out in the governing documents of the schemes and in accordance with the provisions of the Schemes' Constitutions.

The schemes did not have any employees during the year.

There were no significant changes in the nature of the schemes' activities during the year.

## Directors

The following persons held office as directors of Investors Mutual Limited during the year or since the end of the year and up to the date of this report:

Anton Tagliaferro  
Michael Fitzpatrick (resigned 11 September 2015)  
Hugh Giddy  
Andrew McGill (resigned 28 August 2015)  
Antony Robinson (appointed 28 August 2015)  
Joseph Ferragina (appointed 16 September 2015 and resigned 2 September 2016)

## Directors' report (continued)

### Review and results of operations

The performance of the Schemes, as represented by the results of their operations, were as follows:

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Industrial Share Fund		Future Leaders Fund		Small Cap Fund		Concentrated Australian Share Fund	
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
Net operating profit/(loss)	<b>108,497</b>	190,435	<b>22,334</b>	10,234	<b>17,424</b>	21,340	<b>11,831</b>	25,999	<b>46,606</b>	55,415	<b>6,260</b>	3,275	<b>2,083</b>	319
<i>Distributions</i>														
Distribution paid and payable	<b>71,372</b>	83,658	<b>20,147</b>	11,027	<b>22,977</b>	14,272	<b>15,012</b>	13,220	<b>51,068</b>	33,410	<b>4,256</b>	2,181	<b>410</b>	118
Distribution (cents per unit)	<b>9.37</b>	11.68	<b>7.73</b>	8.22	<b>31.84</b>	22.58	<b>10.25</b>	9.47	<b>15.22</b>	12.71	<b>13.43</b>	11.71	<b>3.86</b>	4.75

### Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Schemes that occurred during the financial year.

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

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

- (i) the operations of the schemes in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the schemes in future financial years.

### Likely developments and expected results of operations

The schemes will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the schemes and in accordance with the provisions of the Schemes' Constitutions.

The results of the schemes' operations will be affected by a number of factors, including the performance of investment markets in which the schemes invest. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operation of the schemes and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the schemes.

### Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the schemes in regards to insurance cover provided to either the officers of Investors Mutual Limited or the auditors of the schemes. So long as the officers of Investors Mutual Limited act in accordance with the Schemes' Constitutions and the Law, the officers remain indemnified out of the assets of the schemes against losses incurred while acting on behalf of the schemes. The auditors of the schemes are in no way indemnified out of the assets of the schemes.

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**Directors' report (continued)**

**Fees paid to and interests held in the Schemes by the Responsible Entity or its associates**

Fees paid to the Responsible Entity and its associates out of the schemes' property during the financial year are disclosed in note 10 of the financial reports.

No fees were paid out of schemes' property to the directors of the Responsible Entity during the financial year.

The number of interests in the schemes held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 10 of the financial reports.

**Interests in the Schemes**

The movement in units on issue in the schemes during the financial year is disclosed in note 4 of the financial reports.

The value of the schemes' assets and liabilities is disclosed on the statements of financial position and derived using the basis set out in note 2 of the financial reports.

**Environmental regulation**

The operations of the schemes are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

**Rounding of amounts to the nearest thousand dollars**

The schemes are entities of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated financial report and directors' report have been rounded off to the nearest thousand dollars or nearest dollar, unless otherwise indicated.

**Auditor's independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

This report is made in accordance with a resolution of the directors.



Anton Tagliaferro  
Director

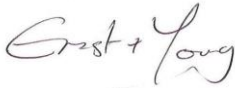
Sydney  
16 September 2016

## Auditor's Independence Declaration to the Directors of Investors Mutual Limited, as Responsible Entity for the following Schemes

- ▶ Investors Mutual Small Cap Fund
- ▶ Investors Mutual Future Leaders Fund
- ▶ Investors Mutual Industrial Share Fund
- ▶ Investors Mutual Australian Smaller Companies Fund
- ▶ Investors Mutual Australian Share Fund
- ▶ Investors Mutual Equity Income Fund
- ▶ Investors Mutual Concentrated Australian Share Fund

As lead auditor for the audit of the Schemes listed above for the financial year ended 30 June 2016, I declare 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.



Ernst & Young



Darren J Handley-Greaves  
Partner  
16 September 2016

Statements of comprehensive income

		Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Industrial Share Fund		Future Leaders Fund		Small Cap Fund		Concentrated Australian Share Fund	
	Notes	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
<b>Investment income</b>															
Interest income	3	2,918	3,178	1,188	512	352	330	392	449	862	842	89	70	39	9
Dividend/distribution income		99,169	92,102	11,504	5,766	5,799	6,077	11,912	11,301	14,632	12,421	1,621	842	453	114
Changes in the fair value of investments		28,518	116,525	13,044	5,662	12,854	16,399	2,214	16,976	35,254	45,487	4,987	2,965	1,849	231
Other operating income		755	818	-	-	6	19	21	54	51	34	89	3	12	1
<b>Total investment profit</b>		<b>131,360</b>	<b>212,623</b>	<b>25,736</b>	<b>11,940</b>	<b>19,011</b>	<b>22,825</b>	<b>14,539</b>	<b>28,780</b>	<b>50,799</b>	<b>58,784</b>	<b>6,786</b>	<b>3,880</b>	<b>2,353</b>	<b>355</b>
<b>Expenses</b>															
Responsible entity's fees	10	21,135	20,774	2,296	1,198	1,374	1,302	2,505	2,499	3,633	2,971	435	236	133	33
Performance fees	10	-	-	-	-	-	-	-	-	-	-	-	328	106	-
Transaction costs		1,724	1,409	887	496	213	183	203	282	560	398	91	41	31	3
Other operating expenses		4	5	219	12	-	-	-	-	-	-	-	-	-	-
<b>Total operating expenses</b>		<b>22,863</b>	<b>22,188</b>	<b>3,402</b>	<b>1,706</b>	<b>1,587</b>	<b>1,485</b>	<b>2,708</b>	<b>2,781</b>	<b>4,193</b>	<b>3,369</b>	<b>526</b>	<b>605</b>	<b>270</b>	<b>36</b>
<b>Operating profit</b>		<b>108,497</b>	<b>190,435</b>	<b>22,334</b>	<b>10,234</b>	<b>17,424</b>	<b>21,340</b>	<b>11,831</b>	<b>25,999</b>	<b>46,606</b>	<b>55,415</b>	<b>6,260</b>	<b>3,275</b>	<b>2,083</b>	<b>319</b>
<b>Finance costs attributable to unitholders</b>															
Distributions to unitholders	5	71,372	83,658	20,147	11,027	22,977	14,272	15,012	13,220	51,068	33,410	4,256	2,181	410	118
Changes in net assets attributable to unitholders	4	37,125	106,777	2,187	(793)	(5,553)	7,068	(3,181)	12,779	(4,462)	22,005	2,004	1,094	1,673	201
<b>Profit for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The above statements of comprehensive income should be read in conjunction with the accompanying notes.



Statements of financial position

		Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Industrial Share Fund		Future Leaders Fund		Small Cap Fund		Concentrated Australian Share Fund	
	Notes	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>															
Cash and cash equivalents	6	140,443	142,692	59,866	39,082	18,788	21,610	21,439	19,825	43,791	51,047	4,694	5,354	2,999	808
Investments in financial assets	7	2,123,127	1,959,016	290,137	132,548	140,092	116,239	238,845	234,255	391,233	282,696	53,389	22,875	15,777	3,394
Other receivables		530	493	96	42	39	31	55	54	101	73	25	16	6	1
Due from brokers - receivable for securities sold		1,194	-	-	-	987	2	19	-	2,926	-	497	-	-	-
Applications receivable		997	1,544	1,410	145	58	233	251	238	581	444	28	57	-	-
Dividends/distributions receivable		18,222	15,758	2,592	956	615	511	2,316	2,056	1,788	830	246	88	62	10
Interest receivable		201	208	129	49	25	29	30	30	58	78	7	8	4	1
<b>Total assets</b>		<b>2,284,714</b>	<b>2,119,711</b>	<b>354,230</b>	<b>172,822</b>	<b>160,604</b>	<b>138,655</b>	<b>262,955</b>	<b>256,458</b>	<b>440,478</b>	<b>335,168</b>	<b>58,886</b>	<b>28,398</b>	<b>18,848</b>	<b>4,214</b>
<b>Liabilities</b>															
Distributions payable	5	26,011	41,047	9,450	5,716	14,128	11,141	9,142	7,701	32,189	27,155	2,917	1,882	273	64
Due to brokers - payable for securities purchased		3,075	804	-	6,316	2,869	1,989	179	2,334	6,937	4,612	1,050	402	-	124
Redemptions payable		1,187	2,065	136	52	31	3	92	213	4,883	283	1	39	2	-
Other payables		1,998	2,007	298	150	137	131	229	240	376	314	59	168	53	4
Investments in financial liabilities held for trading	8	711	76	1,809	420	-	-	119	23	-	-	-	-	-	-
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>32,982</b>	<b>45,999</b>	<b>11,693</b>	<b>12,654</b>	<b>17,165</b>	<b>13,264</b>	<b>9,761</b>	<b>10,511</b>	<b>44,385</b>	<b>32,364</b>	<b>4,027</b>	<b>2,491</b>	<b>328</b>	<b>192</b>
<b>Net assets attributable to unitholders - liability</b>	4	<b>2,251,732</b>	<b>2,073,712</b>	<b>342,537</b>	<b>160,168</b>	<b>143,439</b>	<b>125,391</b>	<b>253,194</b>	<b>245,947</b>	<b>396,093</b>	<b>302,804</b>	<b>54,859</b>	<b>25,907</b>	<b>18,520</b>	<b>4,022</b>

The above statements of financial position should be read in conjunction with the accompanying notes.

The Schemes' net assets attributable to unitholders are classified as a liability under AASB 132 Financial Instruments: Presentation. As such the Schemes have no equity, and no items of changes in equity have been presented for the current or comparative year.

Investors Mutual Limited  
Managed Investment Schemes  
Statements of changes in net assets attributable to unitholders  
For the year ended 30 June 2016

Statements of changes in net assets attributable to unitholders

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Industrial Share Fund		Future Leaders Fund		Small Cap Fund		Concentrated Australian Share Fund	
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
Net assets attributable to unitholders at the beginning of the financial year	2,073,712	1,895,943	160,168	72,993	125,391	118,140	245,947	237,025	302,804	250,020	25,907	14,594	4,022	2,847
Operating profit attributable to unitholders	108,497	190,435	22,334	10,234	17,424	21,340	11,831	25,999	46,606	55,415	6,260	3,275	2,083	319
Distributions to unitholders	(71,372)	(83,658)	(20,147)	(11,027)	(22,977)	(14,272)	(15,012)	(13,220)	(51,068)	(33,410)	(4,256)	(2,181)	(410)	(118)
Applications for units	435,265	370,050	201,015	99,264	37,709	9,856	46,825	35,295	139,830	69,684	29,979	13,267	14,829	1,424
Redemption of units	(294,370)	(299,058)	(20,833)	(11,296)	(14,108)	(9,673)	(36,397)	(39,152)	(42,079)	(38,905)	(3,031)	(3,048)	(2,004)	(450)
<b>Net assets attributable to unitholders at the end of the financial year</b>	<b>2,251,732</b>	<b>2,073,712</b>	<b>342,537</b>	<b>160,168</b>	<b>143,439</b>	<b>125,391</b>	<b>253,194</b>	<b>245,947</b>	<b>396,093</b>	<b>302,804</b>	<b>54,859</b>	<b>25,907</b>	<b>18,520</b>	<b>4,022</b>

The above statements of changes in net assets attributable to unitholders should be read in conjunction with the accompanying notes.

Statements of cash flows

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Industrial Share Fund		Future Leaders Fund		Small Cap Fund		Concentrated Australian Share Fund	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>														
Proceeds from sale of investments	463,173	373,877	128,189	100,106	58,837	62,262	61,890	90,666	124,257	115,276	12,176	8,800	3,272	600
Purchase of investments	(597,054)	(389,599)	(277,661)	(158,654)	(69,941)	(45,789)	(66,344)	(86,150)	(198,141)	(108,088)	(37,552)	(13,999)	(13,930)	(842)
Transaction costs	(1,724)	(1,410)	(887)	(496)	(213)	(183)	(203)	(282)	(560)	(398)	(91)	(41)	(31)	(3)
Dividends/distributions received	96,705	93,605	9,868	5,630	5,695	6,182	11,652	11,572	13,674	12,761	1,463	834	401	118
Interest received	2,925	3,207	1,108	484	356	327	392	452	882	816	90	64	36	9
Other income received	763	826	-	-	-	19	21	54	41	34	2	3	12	1
Responsible Entity's fees paid	(21,189)	(20,636)	(2,191)	(1,143)	(1,370)	(1,293)	(2,517)	(2,482)	(3,589)	(2,917)	(406)	(233)	(126)	(32)
Payment of other expenses	(4)	(4)	(230)	(12)	-	-	-	-	-	-	-	-	-	-
Performance fees paid	-	-	-	-	-	-	-	-	-	-	(60)	(206)	(69)	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(56,405)</b>	<b>59,866</b>	<b>(141,804)</b>	<b>(54,085)</b>	<b>(6,636)</b>	<b>21,525</b>	<b>4,891</b>	<b>13,830</b>	<b>(63,436)</b>	<b>17,484</b>	<b>(24,378)</b>	<b>(4,778)</b>	<b>(10,435)</b>	<b>(149)</b>
<b>Cash flows from financing activities</b>														
Proceeds from applications by unitholders	410,312	331,629	198,595	98,765	35,587	8,299	45,141	33,924	135,232	67,441	29,970	13,171	14,811	1,397
Payments for redemptions by unitholders	(295,248)	(299,056)	(20,749)	(11,263)	(14,080)	(9,801)	(36,518)	(39,104)	(37,479)	(38,976)	(3,069)	(3,033)	(2,002)	(450)
Distributions paid	(60,908)	(91,904)	(15,258)	(7,650)	(17,693)	(11,708)	(11,900)	(8,513)	(41,573)	(22,035)	(3,183)	(1,278)	(183)	(291)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>54,156</b>	<b>(59,331)</b>	<b>162,588</b>	<b>79,852</b>	<b>3,814</b>	<b>(13,210)</b>	<b>(3,277)</b>	<b>(13,693)</b>	<b>56,180</b>	<b>6,430</b>	<b>23,718</b>	<b>8,860</b>	<b>12,626</b>	<b>656</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2,249)</b>	<b>535</b>	<b>20,784</b>	<b>25,767</b>	<b>(2,822)</b>	<b>8,315</b>	<b>1,614</b>	<b>137</b>	<b>(7,256)</b>	<b>23,914</b>	<b>(660)</b>	<b>4,082</b>	<b>2,191</b>	<b>507</b>
Cash and cash equivalents at the beginning of the financial year	142,692	142,157	39,082	13,315	21,610	13,295	19,825	19,688	51,047	27,133	5,354	1,272	808	301
<b>Cash and cash equivalents at the end of the year</b>	<b>140,443</b>	<b>142,692</b>	<b>59,866</b>	<b>39,082</b>	<b>18,788</b>	<b>21,610</b>	<b>21,439</b>	<b>19,825</b>	<b>43,791</b>	<b>51,047</b>	<b>4,694</b>	<b>5,354</b>	<b>2,999</b>	<b>808</b>

The above statements of cash flows should be read in conjunction with the accompanying notes.

## 1 General information

These financial reports cover the following schemes (the "schemes") which are Australian registered managed investment schemes. The schemes were constituted on the dates set out below, and will terminate on the dates set out below unless terminated earlier in accordance with the provisions of the Schemes' Constitutions.

	<b>Constituted Date</b>	<b>Termination Date</b>
Australian Share Fund	29 June 1998	28 June 2078
Equity Income Fund	17 November 2003	16 November 2083
Smaller Companies Fund	29 June 1998	28 June 2078
Industrial Share Fund	29 June 1998	28 June 2078
Future Leaders Fund	29 June 1998	28 June 2078
Small Cap Fund	28 November 2006	27 November 2086
Concentrated Australian Share Fund	11 August 2010	10 August 2090

The Responsible Entity of the schemes listed above is Investors Mutual Limited (the "Responsible Entity") which is incorporated and domiciled in Australia. The Responsible Entity's registered office is Level 24, 25 Bligh Street, Sydney, NSW 2000.

The financial reports were authorised for issue by the directors on 16 September 2016. The directors of the Responsible Entity have the power to amend and reissue the financial reports.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial reports are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

### (a) Basis of preparation

These general purpose financial reports have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Accounting Interpretations, *Corporations Act 2001* in Australia and the Schemes' Constitutions.

The financial reports are prepared on a historical cost basis except for investments in financial assets held for trading and available for sale, which have been measured at fair value.

The Statements of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial assets and liabilities at fair value through profit or loss and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months in relation to these balances cannot be reliably determined.

The financial reports are presented in Australian dollars.

#### *Compliance with International Financial Reporting Standards*

The financial reports have been prepared in accordance with the Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

New and amended standards adopted by the Schemes

The Schemes have applied the following new and revised accounting standards which became effective for the annual reporting period commencing on 1 July 2015:

- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards. The adoption of the amendments had no material impact on the financial statements of the Scheme.

- AASB 2015-4 *Amendments to Australian Accounting Standards - Financial Reporting Requirements for Australian Groups with a Foreign Parent*

The amendment aligns the relief available in AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures in respect of the financial reporting requirements for Australian groups with a foreign parent. The adoption of the amendments had no material impact on the financial statements of the Scheme.

- AASB 2015-5 *Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exception*

This makes amendments to AASB 10, AASB 12 Disclosure of Interests in Other Entities and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities. The adoption of the amendments had no material impact on the financial statements of the Scheme.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2015 that have a material impact on the Schemes.

### (b) New accounting standards and interpretations

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 Schemes. The directors' assessment of the impact of these new standards (to the extent relevant to the Schemes and interpretations) is set out below:

- (i) AASB 9 *Financial Instruments* (and applicable amendments), (effective from 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting. The standard is not applicable until 1 January 2018 but is available for early adoption.

The directors do not expect this to have a significant impact on the recognition and measurement of the Schemes' financial instruments as they are carried at fair value through profit or loss.

The derecognition rules have not been changed from the previous requirements, and the Schemes' do not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Schemes' investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Scheme.

The Schemes have not yet decided when to adopt AASB 9.

- (ii) AASB 15 *Revenue from Contracts with Customers*, (effective from 1 January 2018)

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 Scheme's main source 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 consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Scheme's accounting policies or the amounts recognised in the financial reports.

The Schemes have not yet decided if they will early adopt AASB 15.

- (iii) AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*.

AASB 2012-3 contains amendments to AASB 132 which addresses inconsistencies in the application of the offsetting criteria by adding application guidance to clarify the meaning of 'currently has a legally enforceable right of set-off and clarifying that some gross settlement systems would be considered to be equivalent to net settlement.

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

## 2 Summary of significant accounting policies (continued)

### (c) Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Schemes' power over the activities of the entity and their exposure to and ability to influence its own returns, they may control the entity. In other cases they may have exposure to such an entity but not control it.

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Schemes.

The Schemes typically have no other involvement with the structured entity other than the securities they hold as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

Exposure to trading assets are managed in accordance with financial risk management practices as set out in note 11, which includes an indication of changes in risk measures compared to prior year.

### (d) Investments in financial assets

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, i.e. the date that the Scheme commits to purchase or sell the assets.

#### *Held for trading*

Investments of the Schemes which are considered to be held for trading are derivative financial instruments such as futures and options.

#### *Available for sale*

Investments of the Schemes which are considered to be available for sale are equity securities, units in managed investment schemes and some interest bearing securities which have been acquired principally for the purpose of selling in the near term.

All investments are initially recognised at fair value, being the fair value of the consideration paid excluding transaction costs. After initial recognition, the financial assets are revalued to fair value at each reporting date.

For investments that are actively traded in organised financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the reporting date.

For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flows analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum. The fair value of units in a managed investment scheme is determined by reference to published bid prices at the close of business on the reporting date being the redemption prices as established by the underlying Scheme's Responsible Entity. The floating rate notes are valued at gross (including interest) rather than net of interest.

Changes in fair value of investments are recognised in the statements of comprehensive income.

#### *Financial liabilities*

The schemes' financial liabilities are categorised as financial instruments held for trading. These include investments in listed and unlisted equities, listed and unlisted trusts, floating rate notes and derivative financial instruments such as options. The schemes do not designate any derivatives as hedges in a hedging relationship.

#### *(i) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is 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.

### (e) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the schemes at any time for cash equal to a proportionate share of the schemes' net asset values. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if the unitholders exercise their right to put the units back to the schemes.

Because the schemes' redemption unit prices are based on different valuation principles to that in financial reporting, a valuation difference exists which has been treated as a separate component of net assets attributable to unitholders.

## 2 Summary of significant accounting policies (continued)

### (f) Cash and cash equivalents

For statements of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, high liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings on the statements of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the schemes' main income generating activity.

### (g) Investment income

Interest income is recognised in the statements of comprehensive income for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(d).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Schemes estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense.

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date.

Trust distributions are recognised on an entitlement basis.

### (h) Expenses

All expenses, including Responsible Entity's fees and reimbursable expenses, are recognised in the statements of comprehensive income on an accruals basis.

### (i) Income tax

Under current legislation, the schemes are not subject to income tax provided the taxable income of the schemes is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the schemes).

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the schemes are not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the schemes to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

The Schemes currently incur withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the statements of comprehensive income.

### (j) Distributions

In accordance with the Schemes' Constitutions, the schemes fully distribute income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statements of comprehensive income as finance costs attributable to unitholders.

### (k) Changes in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statements of comprehensive income as finance costs.

### (l) Unit price

The unit price is based on unit price accounting outlined in the Schemes' Constitutions and Product Disclosure Statements.

## 2 Summary of significant accounting policies (continued)

### (m) Foreign currency translation

#### i) *Functional and presentation currency*

Items included in the schemes' financial reports are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the schemes compete for funds and is regulated. The Australian dollar is also the schemes' presentation currency.

#### ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

### (n) 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 year. Trades are recorded on trade date, and normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund 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, and the probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

### (o) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out 2(g) above. Amounts are generally received within 30 days of being recorded as receivables.

### (p) Payables

Payables includes liabilities and accrued expenses owing by the schemes which are unpaid as at reporting date.

Trades are recorded on trade date, and normally settled within three business days. Purchases of financial instruments that are unsettled at reporting date are included in payables.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the statements of financial position when unitholders are presently entitled to the distributable income under the Schemes' Constitutions.

### (q) Applications and redemptions

Applications received for units in the schemes are recorded net of any entry fees payable prior to the issue of units in the schemes. Redemptions from the schemes are recorded gross of any exit fees payable after the cancellation of units redeemed.

### (r) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the schemes by third parties such as custodial services and investment management fees have been passed onto the schemes. The schemes qualify for Reduced Input Tax Credits (RITC's) at a rate of at least 55%; hence investment management fees, custodial fees and other expenses have been recognised in statements of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statements of financial position. Cash flows relating to GST are included in the statements of cash flows on a gross basis.



## 2 Summary of significant accounting policies (continued)

### (s) Use of estimates

The schemes make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the schemes' 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.

### (t) Comparatives

Where necessary, comparative figures have been reclassified to conform to any changes in presentation made in these financial reports.

### (u) Rounding of amounts

The schemes are entities of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the consolidated financial report and directors' report have been rounded off to the nearest thousand dollars or nearest dollar, unless otherwise indicated.

**3 Interest income**

	30 June 2016			30 June 2015		
	Average balance \$'000	Interest \$'000	Average rate %	Average balance \$'000	Interest \$'000	Average rate %
<b>Australian Share Fund</b>						
Cash and cash equivalents	146,845	2,649	1.80	132,699	2,895	2.18
Floating rate notes	4,199	269	6.41	4,348	283	6.51
		<u>2,918</u>			<u>3,178</u>	
<b>Equity Income Fund</b>						
Cash and cash equivalents	42,735	775	1.81	18,927	394	2.08
Floating rate notes	5,806	413	7.11	1,934	118	6.10
		<u>1,188</u>			<u>512</u>	
<b>Smaller Companies Fund</b>						
Cash and cash equivalents	18,926	352	1.86	14,709	322	2.19
Floating rate notes	-	-	-	463	8	1.73
		<u>352</u>			<u>330</u>	
<b>Industrial Share Fund</b>						
Cash and cash equivalents	21,263	392	1.84	20,069	449	2.24
		<u>392</u>			<u>449</u>	
<b>Future Leaders Fund</b>						
Cash and cash equivalents	46,445	862	1.86	37,574	825	2.20
Floating rate notes	-	-	-	1,090	17	1.56
		<u>862</u>			<u>842</u>	
<b>Small Cap Fund</b>						
Cash and cash equivalents	4,911	89	1.81	3,239	69	2.13
Floating rate notes	-	-	-	76	1	1.31
		<u>89</u>			<u>70</u>	
<b>Concentrated Australian Share Fund</b>						
Cash and cash equivalents	2,157	39	1.81	441	9	2.12
		<u>39</u>			<u>9</u>	

#### 4 Net assets attributable to unitholders - liability

Movements in number of units and net assets attributable to unitholders during the year were as follows:

	30 June 2016 No. ('000)	30 June 2015 No. ('000)	30 June 2016 \$'000	30 June 2015 \$'000
<b>Australian Share Fund</b>				
Opening balance	722,838	698,138	2,073,712	1,895,943
Applications	143,911	114,025	409,765	332,384
Redemptions	(103,881)	(102,962)	(294,370)	(299,058)
Units issued upon reinvestment of distributions	8,898	13,637	25,500	37,666
Change in net assets attributable to unitholders	-	-	37,125	106,777
Closing balance	<u>771,766</u>	<u>722,838</u>	<u>2,251,732</u>	<u>2,073,712</u>
<b>Equity Income Fund</b>				
Opening balance	153,817	72,025	160,168	72,993
Applications	187,710	91,674	199,860	98,571
Redemptions	(19,757)	(10,538)	(20,833)	(11,296)
Units issued upon reinvestment of distributions	1,105	656	1,155	693
Change in net assets attributable to unitholders	-	-	2,187	(793)
Closing balance	<u>322,875</u>	<u>153,817</u>	<u>342,537</u>	<u>160,168</u>
<b>Smaller Companies Fund</b>				
Opening balance	63,374	63,363	125,391	118,140
Applications	17,479	4,034	35,412	8,505
Redemptions	(7,007)	(4,734)	(14,108)	(9,673)
Units issued upon reinvestment of distributions	1,146	711	2,297	1,351
Change in net assets attributable to unitholders	-	-	(5,553)	7,068
Closing balance	<u>74,992</u>	<u>63,374</u>	<u>143,439</u>	<u>125,391</u>
<b>Industrial Share Fund</b>				
Opening balance	140,667	143,223	245,947	237,025
Applications	25,610	18,900	45,154	34,059
Redemptions	(20,899)	(22,179)	(36,397)	(39,152)
Units issued upon reinvestment of distributions	947	723	1,671	1,236
Change in net assets attributable to unitholders	-	-	(3,181)	12,779
Closing balance	<u>146,325</u>	<u>140,667</u>	<u>253,194</u>	<u>245,947</u>

**4 Net assets attributable to unitholders - liability (continued)**

	<b>30 June 2016 No. ('000)</b>	30 June 2015 No. ('000)	<b>30 June 2016 \$'000</b>	30 June 2015 \$'000
<b>Future Leaders Fund</b>				
Opening balance	265,879	240,301	302,804	250,020
Applications	115,368	56,918	135,369	67,736
Redemptions	(35,902)	(33,158)	(42,079)	(38,905)
Units issued upon reinvestment of distributions	3,859	1,818	4,461	1,948
Change in net assets attributable to unitholders	-	-	(4,462)	22,005
Closing balance	<u>349,204</u>	<u>265,879</u>	<u>396,093</u>	<u>302,804</u>
<b>Small Cap Fund</b>				
Opening balance	19,390	12,233	25,907	14,594
Applications	22,032	9,477	29,941	13,228
Redemptions	(2,193)	(2,352)	(3,031)	(3,048)
Units issued upon reinvestment of distributions	28	32	38	39
Change in net assets attributable to unitholders	-	-	2,004	1,094
Closing balance	<u>39,257</u>	<u>19,390</u>	<u>54,859</u>	<u>25,907</u>
<b>Concentrated Australian Share Fund</b>				
Opening balance	2,858	2,203	4,022	2,847
Applications	10,061	964	14,811	1,397
Redemptions	(1,331)	(329)	(2,004)	(450)
Units issued upon reinvestment of distributions	13	20	18	27
Change in net assets attributable to unitholders	-	-	1,673	201
Closing balance	<u>11,601</u>	<u>2,858</u>	<u>18,520</u>	<u>4,022</u>

As stipulated within the Schemes' Constitutions, each unit represents a right to an individual share in the schemes and does not extend to a right to the underlying assets of the schemes. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the schemes.

**Capital risk management**

The schemes consider net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the schemes are subject to daily applications and redemptions at the discretion of unitholders.

#### 4 Net assets attributable to unitholders - liability (continued)

##### Capital gains/(losses)

At the reporting date, the Schemes had the following net unrealised taxable capital gains/(losses), and realised capital losses available to offset against future assessable capital gains.

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Industrial Share Fund		Future Leaders Fund		Small Cap Fund		Concentrated Australian Share Fund	
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
Unrealised capital gains/(losses)	394,259	349,937	639	(4,087)	12,238	14,623	40,647	40,329	29,007	29,751	3,716	1,661	1,905	345
Realised capital (losses)	-	-	(1,530)	-	-	-	-	-	-	-	-	-	-	-

#### 5 Distributions to unitholders

The distributions for the year were as follows:

	30 June 2016 \$'000	30 June 2016 CPU	30 June 2015 \$'000	30 June 2015 CPU
<b>Australian Share Fund</b>				
<b>Distributions</b>				
Distributions paid - December	45,361	6.00	42,611	6.00
Distributions payable - June	26,011	3.37	41,047	5.68
	<u>71,372</u>		<u>83,658</u>	
<b>Equity Income Fund</b>				
<b>Distributions</b>				
Distributions paid - September	1,834	1.00	1,031	1.10
Distributions paid - December	4,152	1.90	1,449	1.30
Distributions paid - March	4,712	1.90	2,831	2.10
Distributions payable - June	9,449	2.93	5,716	3.72
	<u>20,147</u>		<u>11,027</u>	
<b>Smaller Companies Fund</b>				
<b>Distributions</b>				
Distributions paid - December	8,849	13.00	3,131	5.00
Distributions payable - June	14,128	18.84	11,141	17.58
	<u>22,977</u>		<u>14,272</u>	

## 5 Distributions to unitholders (continued)

	30 June 2016 \$'000	30 June 2016 CPU	30 June 2015 \$'000	30 June 2015 CPU
<b>Industrial Share Fund</b>				
<b>Distributions</b>				
Distributions paid - December	5,870	4.00	5,519	4.00
Distributions payable - June	9,142	6.25	7,701	5.47
	<u>15,012</u>		<u>13,220</u>	
<b>Future Leaders Fund</b>				
<b>Distributions</b>				
Distributions paid - December	18,879	6.00	6,255	2.50
Distributions payable - June	32,189	9.22	27,155	10.21
	<u>51,068</u>		<u>33,410</u>	
<b>Small Cap Fund</b>				
<b>Distributions</b>				
Distributions paid - December	1,339	6.00	299	2.00
Distributions payable - June	2,917	7.43	1,882	9.71
	<u>4,256</u>		<u>2,181</u>	
<b>Concentrated Australian Share Fund</b>				
<b>Distributions</b>				
Distributions paid - December	137	1.50	54	2.50
Distributions payable - June	273	2.36	64	2.25
	<u>410</u>		<u>118</u>	

## 6 Cash and cash equivalents

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Industrial Share Fund		Future Leaders Fund		Small Cap Fund		Concentrated Australian Share Fund	
	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
Cash at bank	135,730	139,804	59,855	39,071	18,788	21,610	21,439	19,825	43,791	51,047	4,694	5,354	2,851	802
Deposits at call	4,713	2,888	11	11	-	-	-	-	-	-	-	-	148	6
	<u>140,443</u>	<u>142,692</u>	<u>59,866</u>	<u>39,082</u>	<u>18,788</u>	<u>21,610</u>	<u>21,439</u>	<u>19,825</u>	<u>43,791</u>	<u>51,047</u>	<u>4,694</u>	<u>5,354</u>	<u>2,999</u>	<u>808</u>

## 7 Investments in financial assets

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Industrial Share Fund		Future Leaders Fund		Small Cap Fund		Concentrated Australian Share Fund	
	30 June 2016 Fair value \$'000	30 June 2015 Fair value \$'000	30 June 2016 Fair value \$'000	30 June 2015 Fair value \$'000	30 June 2016 Fair value \$'000	30 June 2015 Fair value \$'000	30 June 2016 Fair value \$'000	30 June 2015 Fair value \$'000	30 June 2016 Fair value \$'000	30 June 2015 Fair value \$'000	30 June 2016 Fair value \$'000	30 June 2015 Fair value \$'000	30 June 2016 Fair value \$'000	30 June 2015 Fair value \$'000
<b>Available for sale</b>														
Listed equities	1,839,018	1,742,704	221,463	114,311	120,618	98,492	210,485	212,708	316,742	243,772	43,635	19,198	13,760	2,934
Unlisted unit trusts	53,083	62,777	-	-	-	-	-	-	-	-	-	-	-	-
Listed unit trusts	226,781	148,775	58,408	14,514	16,008	15,758	28,360	19,212	64,862	34,312	8,496	3,280	2,017	336
Floating rate notes	4,245	4,276	10,266	3,723	-	-	-	-	-	-	-	-	-	-
Unlisted equities	-	-	-	-	3,463	1,989	-	2,335	9,620	4,612	1,257	397	-	124
Total available for sale	2,123,127	1,958,532	290,137	132,548	140,089	116,239	238,845	234,255	391,224	282,696	53,388	22,875	15,777	3,394
<b>Held for trading</b>														
Futures	-	484	-	-	-	-	-	-	-	-	-	-	-	-
Options	-	-	-	-	3	-	-	-	9	-	1	-	-	-
Total held for trading	-	484	-	-	3	-	-	-	9	-	1	-	-	-
<b>Total financial assets held at fair value through profit or loss</b>	<b>2,123,127</b>	<b>1,959,016</b>	<b>290,137</b>	<b>132,548</b>	<b>140,092</b>	<b>116,239</b>	<b>238,845</b>	<b>234,255</b>	<b>391,233</b>	<b>282,696</b>	<b>53,389</b>	<b>22,875</b>	<b>15,777</b>	<b>3,394</b>

## 8 Investments in financial liabilities held for trading

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Industrial Share Fund		Future Leaders Fund		Small Cap Fund		Concentrated Australian Share Fund	
	30 June 2016 Fair value \$'000	30 June 2015 Fair value \$'000	30 June 2016 Fair value \$'000	30 June 2015 Fair value \$'000	30 June 2016 Fair value \$'000	30 June 2015 Fair value \$'000	30 June 2016 Fair value \$'000	30 June 2015 Fair value \$'000	30 June 2016 Fair value \$'000	30 June 2015 Fair value \$'000	30 June 2016 Fair value \$'000	30 June 2015 Fair value \$'000	30 June 2016 Fair value \$'000	30 June 2015 Fair value \$'000
<b>Held for trading</b>														
Futures	111	-	-	-	-	-	-	-	-	-	-	-	-	-
Options	600	76	1,809	420	-	-	119	23	-	-	-	-	-	-
Total held for trading	711	76	1,809	420	-	-	119	23	-	-	-	-	-	-

## 9 Derivative financial instruments

In the normal course of business, the schemes enter into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the schemes' portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the schemes against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the schemes.

## 9 Derivative financial instruments (continued)

The schemes hold the following derivative instruments:

### (a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

### (b) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. Options held by the schemes are exchange traded. The schemes are exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

	Australian Share Fund				Equity Income Fund				Smaller Companies Fund			
	30 June 2016		30 June 2015		30 June 2016		30 June 2015		30 June 2016		30 June 2015	
	Fair value Assets \$'000	Fair value Liabilities \$'000	Fair value Assets \$'000	Fair value Liabilities \$'000	Fair value Assets \$'000	Fair value Liabilities \$'000	Fair value Assets \$'000	Fair value Liabilities \$'000	Fair value Assets \$'000	Fair value Liabilities \$'000	Fair value Assets \$'000	Fair value Liabilities \$'000
Futures	-	-	484	-	-	-	-	-	-	-	-	-
Options	-	711	-	76	-	1,809	-	420	3	-	-	-
	-	711	484	76	-	1,809	-	420	3	-	-	-

	Industrial Share Fund				Future Leaders Fund				Small Cap Fund			
	30 June 2016		30 June 2015		30 June 2016		30 June 2015		30 June 2016		30 June 2015	
	Fair value Assets \$'000	Fair value Liabilities \$'000	Fair value Assets \$'000	Fair value Liabilities \$'000	Fair value Assets \$'000	Fair value Liabilities \$'000	Fair value Assets \$'000	Fair value Liabilities \$'000	Fair value Assets \$'000	Fair value Liabilities \$'000	Fair value Assets \$'000	Fair value Liabilities \$'000
Options	-	119	-	23	9	-	-	-	1	-	-	-
	-	119	-	23	9	-	-	-	1	-	-	-

	Concentrated Australian Share Fund			
	30 June 2016		30 June 2015	
	Fair value Assets \$'000	Fair value Liabilities \$'000	Fair value Assets \$'000	Fair value Liabilities \$'000
Options	-	-	-	-
	-	-	-	-

An overview of the risk exposures relating to derivatives is included in note 11.



## 10 Related party transactions

### Responsible entity

The Responsible Entity of the following schemes is Investors Mutual Limited, whose immediate and ultimate holding company is Pacific Current Group.

- Australian Share Fund
- Equity Income Fund
- Smaller Companies Fund
- Industrial Share Fund
- Future Leaders Fund
- Small Cap Fund
- Concentrated Australian Share Fund

### Key management personnel

#### (a) Directors

Key management personnel includes persons who were directors of Investors Mutual Limited at any time during the financial year as follows:

Anton Tagliaferro  
Michael Fitzpatrick (resigned 11 September 2015)  
Hugh Giddy  
Andrew McGill (resigned 28 August 2015)  
Antony Robinson (appointed 28 August 2015)  
Joseph Ferragina (appointed 16 September 2015 and resigned 2 September 2016)

#### (b) Other key management personnel

In addition to the directors noted above, Investors Mutual Limited, the Responsible Entity of the schemes is considered to be key management personnel with the authority for the strategic direction and management of the schemes.

## 10 Related party transactions (continued)

### Related party unitholdings

Parties related to the schemes (including Investors Mutual Limited, its related parties and other schemes managed by Investors Mutual Limited), held units in the schemes as follows:

	Number of units held opening	Number of units held closing	Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the schemes
	(Units)	(Units)	%	(Units)	(Units)	\$
<b>Equity Income Fund</b>						
<b>2016</b>						
<b>Unitholder</b>						
Anton Tagliaferro	-	-	-	-	-	-
Total	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
<b>2015</b>						
<b>Unitholder</b>						
Anton Tagliaferro	659,729	-	-	-	659,729	-
Total	<u>659,729</u>	<u>-</u>		<u>-</u>	<u>659,729</u>	<u>-</u>
<b>Smaller Companies Fund</b>						
<b>2016</b>						
<b>Unitholder</b>						
Australian Share Fund	31,616,028	27,647,374	36.87	-	3,968,654	9,000,709
Total	<u>31,616,028</u>	<u>27,647,374</u>		<u>-</u>	<u>3,968,654</u>	<u>9,000,709</u>
<b>2015</b>						
<b>Unitholder</b>						
Australian Share Fund	31,616,028	31,616,028	49.89	-	-	7,138,812
Total	<u>31,616,028</u>	<u>31,616,028</u>		<u>-</u>	<u>-</u>	<u>7,138,812</u>

## 10 Related party transactions (continued)

### Related party unitholdings (continued)

Small Cap Fund	Number of units held opening	Number of units held closing	Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the schemes
2016 Unitholder	(Units)	(Units)	%	(Units)	(Units)	\$
AKAT Investments ATF Tag Family Trust	1,346,545	979,437	2.49	-	367,108	203,478
Total	<u>1,346,545</u>	<u>979,437</u>		<u>-</u>	<u>367,108</u>	<u>203,478</u>
2015 Unitholder						
Investors Mutual Limited	899,528	-	-	-	899,528	-
AKAT Investments ATF Tag Family Trust	1,846,545	1,346,545	6.94	-	500,000	157,625
Total	<u>2,746,073</u>	<u>1,346,545</u>		<u>-</u>	<u>1,399,528</u>	<u>157,625</u>
<b>Concentrated Australian Share Fund</b>						
2016 Unitholder						
Investors Mutual Limited	1,420,414	344,338	2.97	-	1,076,076	40,005
Total	<u>1,420,414</u>	<u>344,338</u>		<u>-</u>	<u>1,076,076</u>	<u>40,005</u>
2015 Unitholder						
Investors Mutual Limited	1,748,786	1,420,414	49.69	-	328,372	70,808
Total	<u>1,748,786</u>	<u>1,420,414</u>		<u>-</u>	<u>328,372</u>	<u>70,808</u>

There were no related parties holding units in Australian Share Fund, Industrial Share Fund and Future Leaders Fund

### Key management personnel unitholdings

At 30 June 2016 and 30 June 2015, no key management personnel held units in the Schemes except for Equity Income Fund and Small Cap Fund as noted above.

### Key management personnel compensation

No amount is paid by the schemes directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the schemes to the Directors as key management personnel.

Compensation is paid to the Responsible Entity in the form of fees as discussed below.

### Key management personnel loan disclosures

The schemes have not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

## 10 Related party transactions (continued)

### Investments

The schemes held investments in the following schemes which are also managed by Investors Mutual Limited or its related parties:

Australian Share Fund	Number of units held	Net market value on investment	Interest held	Number of units acquired	Number of units disposed	Contribution to investment income
2016	(Units)	\$	%	(Units)	(Units)	\$
Smaller Companies Fund	<u>27,647,374</u>	<u>53,082,958</u>	36.87	-	<u>3,968,654</u>	<u>9,000,709</u>
Total	<u>27,647,374</u>	<u>53,082,958</u>		-	<u>3,968,654</u>	<u>9,000,709</u>
2015						
Smaller Companies Fund	<u>31,616,028</u>	<u>62,776,786</u>	49.89	-	-	<u>7,138,812</u>
Total	<u>31,616,028</u>	<u>62,776,786</u>		-	-	<u>7,138,812</u>

Except for the Australian Share Fund, the Schemes did not hold any investment in Investors Mutual Limited or its related parties during the year.

### Other transactions within the Schemes

From time to time directors of the Responsible Entity, or their director related entities, may invest in or withdraw from the schemes. These investments or withdrawals are on the same terms and conditions as those entered into by other scheme investors and are trivial in nature.

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the schemes since the end of the previous financial year and there were no material contracts involving director's interests subsisting at year end.

### Responsible Entity's fees and other transactions

For the year ended 30 June 2016, in accordance with the Schemes' Constitutions, the Responsible Entity received management fees based on the percentage below of the respective schemes' net asset value (inclusive of GST, net of RITC available to the schemes) per annum as follows:

Australian Share Fund 0.993% (2015: 0.993%)

Equity Income Fund 0.993% (2015: 0.993%)

Smaller Companies Fund 0.993% (2015: 0.993%)

Industrial Share fund 0.993% (2015: 0.993%)

Future Leaders Fund 0.993% (2015: 0.993%)

Small Cap Fund 1.15% (2015: 1.15%)

Concentrated Australian Share Fund 0.993% (2015: 0.993%)

## 10 Related party transactions (continued)

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the schemes and the Responsible Entity were as follows:

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Industrial Share Fund		Future Leaders Fund		Small Cap Fund		Concentrated Australian Share Fund	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fees earned by the Responsible Entity for the management of investments	21,134,927	20,773,508	2,295,975	1,197,659	1,374,083	1,301,502	2,505,222	2,499,323	3,632,516	2,971,006	434,516	236,245	133,167	32,547
Fees payable to the Responsible Entity as at reporting date	1,998,282	2,006,665	297,749	150,385	136,878	130,473	229,277	239,699	376,345	313,931	58,696	30,573	16,494	3,866

\$328,233 performance fee was accrued in 2015 of which \$137,616 is payable as at 30 June 2015 by the Small Cap Fund to Investors Mutual Limited.

\$105,994 performance fee was accrued in 2016 of which \$36,087 is payable as at 30 June 2016 by the Concentrated Australian Share Fund to Investors Mutual Limited.

## 11 Financial risk management

The Schemes' overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by an investment manager under policies approved by the investment manager.

### (a) Strategy in using financial instruments

The allocation of assets between the various types of financial instruments is determined by the schemes' investment manager as identified in the schemes' Product Disclosure Statement who manages the schemes' assets to achieve the schemes' investment objectives. The monitoring of asset allocations and the composition of the assets is also monitored by the schemes' investment manager on at least a monthly basis. The custody of assets is outsourced to RBC Investor Services Trust.

Financial instruments of the schemes comprise of investments in financial assets for the purpose of generating a return on the investment made by the unitholders, in addition to derivatives (used from time to time), cash and cash equivalents, net assets attributable to unitholders, and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments. The schemes' investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk

This note presents information about the schemes' exposure to each of the above risks, the schemes' objectives, policies and processes for measuring and managing risk.

The Responsible Entity has overall responsibility for the establishment and oversight of the schemes' financial risk management framework.

The Responsible Entity oversees how management monitors compliance with the schemes' financial risk management policies and procedures. The Responsible Entity also ensures the continued adequacy of the financial risk management framework.

## 11 Financial risk management (continued)

### (a) Strategy in using financial instruments (continued)

Information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, including the investment manager, compliance manager, other key management and ultimately the directors of the Responsible Entity.

The use of derivatives is considered to be part of the investment and asset management processes and is not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- As a substitute for physical securities until the physical position can be established;
- Adjusting asset exposures within the parameters set in the investment strategy; and
- Adjusting the duration of fixed interest assets or the weighted average maturity of cash assets.

Derivatives are not used to gear (leverage) an asset. Gearing an asset would occur if the level of exposure to the markets exceeds the underlying value of the schemes.

### (b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the schemes' income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The schemes are exposed, particularly in equity assets, to market risks. The schemes also utilise derivatives. The schemes invest in securities traded on global markets, market risk is a risk to which exposure is unavoidable. The risk is mitigated through diversification of the portfolio that is captured by investments in various geographic zones and industries.

#### (i) Currency risk

Schemes that invest in international assets are exposed to currency risk. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Investment Managers may enter into derivative contracts (such as forwards, swaps, options and futures) through approved foreign exchange dealers to minimise risk. However, the use of these contracts must be consistent with the investment strategy and restrictions of each Scheme, and agreed acceptable level of currency risk.

The schemes may enter into transactions denominated in currencies other than Australian dollars. The schemes are therefore exposed to risks that the exchange rate of the Australian dollar relative to other foreign currencies may change and have an adverse effect on the schemes' assets and liabilities denominated in currencies other than the Australian dollar.

At 30 June 2016 and 30 June 2015 none of the schemes are exposed to foreign currency risk. All the Schemes invest in the Australian Market. Foreign currency exposure is monitored by the investment managers. The investment managers aim to remove effect of foreign currency on the Schemes' investments wherever it is possible and prudent to do so.

## 11 Financial risk management (continued)

### (b) Market risk (continued)

#### (ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The schemes are exposed to interest rate risk on its cash holdings. Interest income from cash holdings is earned at variable interest rates. Investments in cash holdings are at call.

The schemes' exposure to interest rate risk and the effective weighted average interest rate of classes of financial assets and financial liabilities is set out below:

#### Australian Share Fund

	Weighted Average interest rate %	Floating interest rate \$'000	Within 1 month \$'000	More than 1 and less than 3 months \$'000	More than 3 and less than 12 months \$'000	1 year to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>30 June 2016</b>								
<b>Financial Assets</b>								
Cash and cash equivalents	1.64%	140,443	-	-	-	-	-	140,443
Floating rate notes	6.41%	-	-	4,245	-	-	-	4,245
Net exposure		140,443	-	4,245	-	-	-	144,688
<b>30 June 2015</b>								
<b>Financial Assets</b>								
Cash and cash equivalents	1.91%	142,692	-	-	-	-	-	142,692
Floating rate notes	6.15%	-	-	4,276	-	-	-	4,276
Net exposure		142,692	-	4,276	-	-	-	146,968

#### Sensitivity analysis

An increase of 0.75% (2015: 0.75%) in interest rates applicable at reporting date would have increased operating profit in 2016 by \$1,078,283 (2015: \$1,095,111). A decrease of 0.75% (2015: 0.75%) would have the equal but opposite effect to the amounts shown. There was no impact on net assets attributable to unitholders other than the change in operating profit or loss. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis in 2015.

#### Equity Income Fund

	Weighted Average interest rate %	Floating interest rate \$'000	Within 1 month \$'000	More than 1 and less than 3 months \$'000	More than 3 and less than 12 months \$'000	1 year to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>30 June 2016</b>								
<b>Financial Assets</b>								
Cash and cash equivalents	1.70%	59,866	-	-	-	-	-	59,866
Money market securities	5.96%	-	-	10,266	-	-	-	10,266
Net exposure		59,866	-	10,266	-	-	-	70,132
<b>30 June 2015</b>								
<b>Financial Assets</b>								
Cash and cash equivalents	1.95%	39,082	-	-	-	-	-	39,082
Floating rate notes	6.15%	-	-	3,723	-	-	-	3,723
Net exposure		39,082	-	3,723	-	-	-	42,805

## 11 Financial risk management (continued)

### (b) Market risk (continued)

(ii) Interest rate risk (continued)

#### Sensitivity analysis

An increase of 0.75% (2015: 0.75%) in interest rates applicable at reporting date would have increased operating profit in 2016 by \$509,368 (2015: \$321,163). A decrease of 0.75% (2015: 0.75%) would have the equal but opposite effect to the amounts shown. There will be no impact on net assets attributable to unitholders other than the change in operating profit or loss. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis in 2015.

#### Smaller Companies Fund

	Weighted Average interest rate %	Floating interest rate \$'000	Within 1 month \$'000	More than 1 and less than 3 months \$'000	More than 3 and less than 12 months \$'000	1 year to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>30 June 2016</b>								
<b>Financial Assets</b>								
Cash and cash equivalents	1.86%	18,788	-	-	-	-	-	18,788
Net exposure		18,788	-	-	-	-	-	18,788
<b>30 June 2015</b>								
<b>Financial Assets</b>								
Cash and cash equivalents	2.19%	21,610	-	-	-	-	-	21,610
Net exposure		21,610	-	-	-	-	-	21,610

#### Sensitivity analysis

An increase of 0.75% (2015: 0.75%) in interest rates applicable at reporting date would have increased operating profit in 2016 by \$140,907 (2015: \$162,078). A decrease of 0.75% (2015: 0.75%) would have the equal but opposite effect to the amounts shown. There will be no impact on net assets attributable to unitholders other than the change in operating profit or loss. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis in 2015.

#### Industrial Share Fund

	Weighted Average interest rate %	Floating interest rate \$'000	Within 1 month \$'000	More than 1 and less than 3 months \$'000	More than 3 and less than 12 months \$'000	1 year to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>30 June 2016</b>								
<b>Financial Assets</b>								
Cash and cash equivalents	1.70%	21,439	-	-	-	-	-	21,439
Net exposure		21,439	-	-	-	-	-	21,439
<b>30 June 2015</b>								
<b>Financial Assets</b>								
Cash and cash equivalents	1.95%	19,825	-	-	-	-	-	19,825
Net exposure		19,825	-	-	-	-	-	19,825

#### Sensitivity analysis

An increase of 0.75% (2015: 0.75%) in interest rates applicable at reporting date would have increased operating profit in 2016 by \$160,790 (2015: \$148,685). A decrease of 0.75% (2015: 0.75%) would have the equal but opposite effect to the amounts shown. There will be no impact on net assets attributable to unitholders other than the change in operating profit or loss. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis in 2015.



## 11 Financial risk management (continued)

### (b) Market risk (continued)

(ii) Interest rate risk (continued)

#### Future Leaders Fund

	Weighted Average interest rate %	Floating interest rate \$'000	Within 1 month \$'000	More than 1 and less than 3 months \$'000	More than 3 and less than 12 months \$'000	1 year to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>30 June 2016</b>								
<b>Financial Assets</b>								
Cash and cash equivalents	1.70%	43,791	-	-	-	-	-	43,791
Net exposure		43,791	-	-	-	-	-	43,791
<b>30 June 2015</b>								
<b>Financial Assets</b>								
Cash and cash equivalents	1.95%	51,047	-	-	-	-	-	51,047
Net exposure		51,047	-	-	-	-	-	51,047

#### Sensitivity analysis

An increase of 0.75% (2015: 0.75%) in interest rates applicable at reporting date would have increased operating profit in 2016 by \$328,434 (2015: \$382,856). A decrease of 0.75% (2015: 0.75%) would have the equal but opposite effect to the amounts shown. There will be no impact on net assets attributable to unitholders other than the change in operating profit or loss. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis in 2015.

#### Small Cap Fund

	Weighted Average interest rate %	Floating interest rate \$'000	Within 1 month \$'000	More than 1 and less than 3 months \$'000	More than 3 and less than 12 months \$'000	1 year to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>30 June 2016</b>								
<b>Financial Assets</b>								
Cash and cash equivalents	1.70%	4,694	-	-	-	-	-	4,694
Net exposure		4,694	-	-	-	-	-	4,694
<b>30 June 2015</b>								
<b>Financial Assets</b>								
Cash and cash equivalents	1.95%	5,354	-	-	-	-	-	5,354
Net exposure		5,354	-	-	-	-	-	5,354

#### Sensitivity analysis

An increase of 0.75% (2015: 0.75%) in interest rates applicable at reporting date would have increased operating profit in 2015 by \$35,204 (2015: \$40,152). A decrease of 0.75% (2015: 0.75%) would have the equal but opposite effect to the amounts shown. There will be no impact on net assets attributable to unitholders other than the change in operating profit or loss. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis in 2015.

**11 Financial risk management (continued)**

**(b) Market risk (continued)**

*(ii) Interest rate risk (continued)*

**Concentrated Australian Share Fund**

	Weighted Average interest rate %	Floating interest rate \$'000	Within 1 month \$'000	More than 1 and less than 3 months \$'000	More than 3 and less than 12 months \$'000	1 year to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>30 June 2016</b>								
<b>Financial Assets</b>								
Cash and cash equivalents	1.70%	2,999	-	-	-	-	-	2,999
Net exposure		2,999	-	-	-	-	-	2,999
<b>30 June 2015</b>								
<b>Financial Assets</b>								
Cash and cash equivalents	1.94%	808	-	-	-	-	-	808
Net exposure		808	-	-	-	-	-	808

**Sensitivity analysis**

An increase of 0.75% (2015: 0.75%) in interest rates applicable at reporting date would have increased operating profit in 2016 by \$22,494 (2015: \$6,057). A decrease of 0.75% (2015: 0.75%) would have the equal but opposite effect to the amounts shown. There will be no impact on net assets attributable to unitholders other than the change in operating profit or loss. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis in 2015.

*(iii) Equity price risk*

Equity price risk is the risk that the fair values of equities or equity-linked derivatives decrease as a result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Scheme's investments in equity securities.

Management's best estimate of the effect on profit / (loss) for the year due to a reasonably possible change in equity indices, with all other variables held constant is indicated in the table below. There is no effect on 'other comprehensive income' as the Scheme has no assets classified as available-for-sale or designated hedging instruments. In practice the actual trading results may differ from the sensitivity analysis below and the difference could be material.

As the majority of the schemes' investments are carried at fair value with fair value changes recognised in the statements of comprehensive income, all changes in market conditions will directly affect net investment income.

Risk management techniques are used in the selection of investments. Securities/investments (including derivatives) are only purchased that meet investment criteria.

## 11 Financial risk management (continued)

(iii) *Equity price risk (continued)*

### **Sensitivity analysis**

The sensitivity analysis is based on a generic approach using +/- 10%, which gives the user/investor a benchmark to demonstrate how sensitive each portfolio is in relation to changes in various risk parameters. The sensitivity analysis includes all underlying investments in financial assets and financial liabilities.

An increase of 10% (2015:10%) at the reporting date of the underlying investments' prices for Australian Share Fund would have increased operating profit in 2016 by \$211,817,183 (2015: \$195,466,392). This analysis assumes that all other variables remain constant.

An increase of 10% (2015:10%) at the reporting date of the underlying investments' prices for Equity Income Fund would have increased operating profit in 2016 by \$27,806,202 (2015: \$12,840,469). This analysis assumes that all other variables remain constant.

An increase of 10% (2015:10%) at the reporting date of the underlying investments' prices for Smaller Companies Fund would have increased operating profit in 2016 by \$14,009,218 (2015: \$11,623,859). This analysis assumes that all other variables remain constant.

An increase of 10% (2015:10%) at the reporting date of the underlying investments' prices for Industrial Share Fund would have increased operating profit in 2016 by \$23,872,540 (2015: \$23,423,148). This analysis assumes that all other variables remain constant.

An increase of 10% (2015:10%) at the reporting date of the underlying investments' prices for Future Leaders Fund would have increased operating profit in 2016 by \$39,123,281 (2015: \$28,269,625). This analysis assumes that all other variables remain constant.

An increase of 10% (2015:10%) at the reporting date of the underlying investments' prices for Small Cap Fund would have increased operating profit in 2016 by \$5,338,908 (2015: \$2,287,589). This analysis assumes that all other variables remain constant.

An increase of 10% (2015: 10%) at the reporting date of the underlying investments' prices for Concentrated Australian Share Fund would have increased operating profit in 2016 by \$1,577,687 (2015: \$339,405). This analysis assumes that all other variables remain constant.

A decrease of 10% (2015: 10%) would have the equal, but opposite effect to the amounts shown above, on the basis that all other variable remain constant.

### **(c) Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the schemes. The schemes' investment managers have a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

With respect to credit risk arising from the financial assets of the schemes, other than derivatives, the schemes' exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed on the statements of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The schemes hold no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or otherwise be past due or impaired except for the terms having been renegotiated.

Credit risk is not considered to be a major risk to the schemes as any cash held by the schemes are invested with financial institutions that have very strong credit ratings. The balance of investments are held in listed securities and derivatives are entered into with reputable financial institutions.

## 11 Financial risk management (continued)

### (d) Liquidity risk

Liquidity risk is the risk that the schemes will not be able to meet their financial obligations as they fall due. The risk is controlled through the schemes' investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition the schemes maintain sufficient cash and cash equivalents to meet normal operating requirements.

#### *Maturity analysis for financial liabilities*

Financial liabilities of the schemes comprise of trade and other payables, distributions payable, and net assets attributable to unitholders. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days.

Net assets attributable to unitholders are entirely payable on demand.

The tables below summarise the maturity profile of the schemes' financial liabilities, gross settled derivatives and redeemable shares based on contractual undiscounted cash flows.

#### **Australian Share Fund**

30 June 2016	Carrying amount \$'000	Contractual cash flow \$'000	At call \$'000	6 months or less \$'000	6-12 months \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Non-derivative financial liabilities</b>							
Distributions payable	26,011	26,011	-	26,011	-	-	-
Due to brokers - payable for securities purchased	3,075	3,075	-	3,075	-	-	-
Redemptions payable	1,187	1,187	-	1,187	-	-	-
Other payables	1,998	1,998	-	1,998	-	-	-
Net assets attributable to unitholders	2,251,732	2,251,732	2,251,732	-	-	-	-
Sub total	<u>2,284,003</u>	<u>2,284,003</u>	<u>2,251,732</u>	<u>32,271</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Derivative financial liabilities</b>							
Investments in financial liabilities held for trading	711	711	-	711	-	-	-
Sub total	<u>711</u>	<u>711</u>	<u>-</u>	<u>711</u>	<u>-</u>	<u>-</u>	<u>-</u>
30 June 2015							
<b>Non-derivative financial liabilities</b>							
Distributions payable	41,047	41,047	-	41,047	-	-	-
Due to brokers - payable for securities purchased	804	804	-	804	-	-	-
Redemptions payable	2,065	2,065	-	2,065	-	-	-
Other payables	2,007	2,007	-	2,007	-	-	-
Net assets attributable to unitholders	2,073,712	2,073,712	2,073,712	-	-	-	-
Sub total	<u>2,119,635</u>	<u>2,119,635</u>	<u>2,073,712</u>	<u>45,923</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Derivative financial liabilities</b>							
Investments in financial liabilities held for trading	76	76	-	-	-	-	-
Sub total	<u>76</u>	<u>76</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## 11 Financial risk management (continued)

### (d) Liquidity risk (continued)

#### Equity Income Fund

30 June 2016	Carrying amount \$'000	Contractual cash flow \$'000	At call \$'000	6 months or less \$'000	6-12 months \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Non-derivative financial liabilities</b>							
Distributions payable	9,450	9,450	-	9,450	-	-	-
Due to brokers - payable for securities purchased	-	-	-	-	-	-	-
Redemptions payable	136	136	-	136	-	-	-
Other payables	298	298	-	298	-	-	-
Net assets attributable to unitholders	342,537	342,537	342,537	-	-	-	-
Sub total	352,421	352,421	342,537	9,884	-	-	-
<b>Derivative financial liabilities</b>							
Investments in financial liabilities held for trading	1,809	1,809	-	1,809	-	-	-
Sub total	1,809	1,809	-	1,809	-	-	-

30 June 2015

#### Non-derivative financial liabilities

Distributions payable	5,716	5,716	-	5,716	-	-	-
Due to brokers - payable for securities purchased	6,316	6,316	-	6,316	-	-	-
Redemptions payable	52	52	-	52	-	-	-
Other payables	150	150	-	150	-	-	-
Net assets attributable to unitholders	160,168	160,168	160,168	-	-	-	-
Sub total	172,402	172,402	160,168	12,234	-	-	-

#### Derivative financial liabilities

Investments in financial liabilities held for trading	420	420	-	420	-	-	-
Sub total	420	420	-	420	-	-	-

#### Smaller Companies Fund

30 June 2016	Carrying amount \$'000	Contractual cash flow \$'000	At call \$'000	6 months or less \$'000	6-12 months \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Non-derivative financial liabilities</b>							
Distributions payable	14,128	14,128	-	14,128	-	-	-
Due to brokers - payable for securities purchased	2,869	2,869	-	2,869	-	-	-
Redemptions payable	31	31	-	31	-	-	-
Other payables	137	137	-	137	-	-	-
Net assets attributable to unitholders	143,439	143,439	143,439	-	-	-	-
Sub total	160,604	160,604	143,439	17,165	-	-	-

30 June 2015

#### Non-derivative financial liabilities

Distributions payable	11,141	11,141	-	11,141	-	-	-
Due to brokers - payable for securities purchased	1,989	1,989	-	1,989	-	-	-
Redemptions payable	3	3	-	3	-	-	-
Other payables	131	131	-	131	-	-	-
Net assets attributable to unitholders	125,391	125,391	125,391	-	-	-	-
Sub total	138,655	138,655	125,391	13,264	-	-	-

## 11 Financial risk management (continued)

### (d) Liquidity risk (continued)

#### Industrial Share Fund

30 June 2016	Carrying amount \$'000	Contractual cash flow \$'000	At call \$'000	6 months or less \$'000	6-12 months \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Non-derivative financial liabilities</b>							
Distributions payable	9,142	9,142	-	9,142	-	-	-
Due to brokers - payable for securities purchased	179	179	-	179	-	-	-
Redemptions payable	92	92	-	92	-	-	-
Other payables	229	229	-	229	-	-	-
Net assets attributable to unitholders	253,194	253,194	253,194	-	-	-	-
Sub total	262,836	262,836	253,194	9,642	-	-	-
<b>Derivative financial liabilities</b>							
Investments in financial liabilities held for trading	119	119	-	119	-	-	-
Sub total	119	119	-	119	-	-	-

30 June 2015

#### Non-derivative financial liabilities

Distributions payable	7,701	7,701	-	7,701	-	-	-
Due to brokers - payable for securities purchased	2,334	2,334	-	2,334	-	-	-
Redemptions payable	213	213	-	213	-	-	-
Other payables	240	240	-	240	-	-	-
Net assets attributable to unitholders	245,947	245,947	245,947	-	-	-	-
Sub total	256,435	256,435	245,947	10,488	-	-	-

#### Derivative financial liabilities

Investments in financial liabilities held for trading	23	23	-	23	-	-	-
Sub total	23	23	-	23	-	-	-

#### Future Leaders Fund

30 June 2016	Carrying amount \$'000	Contractual cash flow \$'000	At call \$'000	6 months or less \$'000	6-12 months \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Non-derivative financial liabilities</b>							
Distributions payable	32,189	32,189	-	32,189	-	-	-
Due to brokers - payable for securities purchased	6,937	6,937	-	6,937	-	-	-
Redemptions payable	4,883	4,883	-	4,883	-	-	-
Other payables	376	376	-	376	-	-	-
Net assets attributable to unitholders	396,093	396,093	396,093	-	-	-	-
Sub total	440,478	440,478	396,093	44,385	-	-	-

30 June 2015

#### Non-derivative financial liabilities

Distributions payable	27,155	27,155	-	27,155	-	-	-
Due to brokers - payable for securities purchased	4,612	4,612	-	4,612	-	-	-
Redemptions payable	283	283	-	283	-	-	-
Other payables	314	314	-	314	-	-	-
Net assets attributable to unitholders	302,804	302,804	302,804	-	-	-	-
Sub total	335,168	335,168	302,804	32,364	-	-	-

## 11 Financial risk management (continued)

### (d) Liquidity risk (continued)

#### Small Cap Fund

30 June 2016	Carrying amount \$'000	Contractual cash flow \$'000	At call \$'000	6 months or less \$'000	6-12 months \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Non-derivative financial liabilities</b>							
Distributions payable	2,917	2,917	-	2,917	-	-	-
Due to brokers - payable for securities purchased	1,050	1,050	-	1,050	-	-	-
Redemptions payable	1	1	-	1	-	-	-
Other payables	59	59	-	59	-	-	-
Net assets attributable to unitholders	54,859	54,859	54,859	-	-	-	-
Sub total	58,886	58,886	54,859	4,027	-	-	-

30 June 2015

#### Non-derivative financial liabilities

Distributions payable	1,882	1,882	-	1,882	-	-	-
Due to brokers - payable for securities purchased	402	402	-	402	-	-	-
Redemptions payable	39	39	-	39	-	-	-
Other payables	168	168	-	168	-	-	-
Net assets attributable to unitholders	25,907	25,907	25,907	-	-	-	-
Sub total	28,398	28,398	25,907	2,491	-	-	-

#### Concentrated Australian Share Fund

30 June 2016	Carrying amount \$'000	Contractual cash flow \$'000	At call \$'000	6 months or less \$'000	6-12 months \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Non-derivative financial liabilities</b>							
Distributions payable	273	273	-	273	-	-	-
Redemptions payable	2	2	-	2	-	-	-
Other payables	53	53	-	53	-	-	-
Net assets attributable to unitholders	18,520	18,520	18,520	-	-	-	-
Sub total	18,848	18,848	18,520	328	-	-	-

30 June 2015

#### Non-derivative financial liabilities

Distributions payable	64	64	-	64	-	-	-
Due to brokers - payable for securities purchased	124	124	-	124	-	-	-
Other payables	4	4	-	4	-	-	-
Net assets attributable to unitholders	4,022	4,022	4,022	-	-	-	-
Sub total	4,214	4,214	4,022	192	-	-	-

## 12 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is 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. The gross and net positions of financial assets and liabilities that have been offset in the balance sheet are disclosed in the first three columns of the tables below:

The Concentrated Australian Share Fund did not hold any derivatives during the current year and prior year. The Small Cap Fund, Smaller Companies Fund and Industrial Share Fund did not hold any derivatives during the prior year. Hence, the offsetting tables for these periods have not been shown for these Schemes.

	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts of financial assets and financial liabilities \$'000	Gross amounts offset in the balance sheet \$'000	Net amount of financial assets presented in the balance sheet \$'000	Amounts subject to master netting arrangements \$'000	Cash collateral pledged \$'000	Net amounts \$'000
<b>Australian Share Fund</b>						
<b>30 June 2016</b>						
<b>Financial assets</b>						
Derivative financial instruments	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2015</b>						
<b>Financial assets</b>						
Derivative financial instruments	484	-	484	-	-	484
<b>Total</b>	<b>484</b>	<b>-</b>	<b>484</b>	<b>-</b>	<b>-</b>	<b>484</b>
<b>30 June 2016</b>						
<b>Financial liabilities</b>						
Derivative financial instruments	(711)	-	(711)	-	-	(711)
<b>Total</b>	<b>(711)</b>	<b>-</b>	<b>(711)</b>	<b>-</b>	<b>-</b>	<b>(711)</b>
<b>30 June 2015</b>						
<b>Financial liabilities</b>						
Derivative financial instruments	(76)	-	(76)	-	-	(76)
<b>Total</b>	<b>(76)</b>	<b>-</b>	<b>(76)</b>	<b>-</b>	<b>-</b>	<b>(76)</b>



12 Offsetting financial assets and financial liabilities (continued)

	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts of financial assets and liabilities \$'000	Gross amounts offset in the balance sheet \$'000	Net amount of financial assets presented in the balance sheet \$'000	Amounts subject to master netting arrangements \$'000	Cash collateral pledged \$'000	Net amounts \$'000
<b>Smaller Companies Fund</b>						
<b>30 June 2016</b>						
<b>Financial assets</b>						
Derivative financial instruments	3	-	3	-	-	3
<b>Total</b>	<b>3</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>3</b>
<b>30 June 2016</b>						
<b>Financial liabilities</b>						
Derivative financial instruments	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Future Leaders Fund</b>						
<b>30 June 2016</b>						
<b>Financial assets</b>						
Derivative financial instruments	9	-	9	-	-	9
<b>Total</b>	<b>9</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>9</b>
<b>30 June 2016</b>						
<b>Financial liabilities</b>						
Derivative financial instruments	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Small Cap Fund</b>						
<b>30 June 2016</b>						
<b>Financial assets</b>						
Derivative financial instruments	1	-	1	-	-	1
<b>Total</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>30 June 2016</b>						
<b>Financial liabilities</b>						
Derivative financial instruments	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

12 Offsetting financial assets and financial liabilities (continued)

	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts of financial assets and financial liabilities \$'000	Gross amounts offset in the balance sheet \$'000	Net amount of financial assets presented in the balance sheet \$'000	Amounts subject to master netting arrangements \$'000	Cash collateral pledged \$'000	Net amounts \$'000
<b>Equity Income Fund</b>						
<b>30 June 2016</b>						
<b>Financial assets</b>						
Derivative financial instruments	-	-	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>30 June 2015</b>						
Financial assets						
Derivative financial instruments	-	-	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>30 June 2016</b>						
<b>Financial liabilities</b>						
Derivative financial instruments	(1,809)	-	(1,809)	-	-	(1,809)
<b>Total</b>	<u>(1,809)</u>	<u>-</u>	<u>(1,809)</u>	<u>-</u>	<u>-</u>	<u>(1,809)</u>
<b>30 June 2015</b>						
Financial liabilities						
Derivative financial instruments	(420)	-	(420)	-	-	(420)
<b>Total</b>	<u>(420)</u>	<u>-</u>	<u>(420)</u>	<u>-</u>	<u>-</u>	<u>(420)</u>

12 Offsetting financial assets and financial liabilities (continued)

	Effects of offsetting on the balance sheet			Related amounts not offset		
	Gross amounts of financial assets and liabilities \$'000	Gross amounts offset in the balance sheet \$'000	Net amount of financial assets presented in the balance sheet \$'000	Amounts subject to master netting arrangements \$'000	Cash collateral pledged \$'000	Net amounts \$'000
<b>Industrial Share Fund</b>						
<b>30 June 2016</b>						
<b>Financial assets</b>						
Derivative financial instruments	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2015</b>						
<b>Financial assets</b>						
Derivative financial instruments	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2016</b>						
<b>Financial liabilities</b>						
Derivative financial instruments	(119)	-	(119)	-	-	(119)
<b>Total</b>	<b>(119)</b>	<b>-</b>	<b>(119)</b>	<b>-</b>	<b>-</b>	<b>(119)</b>
<b>30 June 2015</b>						
<b>Financial liabilities</b>						
Derivative financial instruments	23	-	23	-	-	23
<b>Total</b>	<b>23</b>	<b>-</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>23</b>

### 13 Fair value measurements

The Scheme measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis.

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

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

#### Fair value estimation

The carrying amounts of the Scheme's assets and liabilities at the end of each reporting period approximate their fair values.

All financial assets and financial liabilities included in the statements of financial position are carried at fair value.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. 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 statements of comprehensive income.

#### *(i) Fair value in an active market (Level 1)*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for financial assets held by the Scheme is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Scheme holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

As a result of events in global markets during the period, liquidity in some investment markets decreased significantly. As a result, the volume of trading in some of the investments held by the Scheme decreased significantly, and accordingly the valuation of those investments is subject to a greater uncertainty and requires greater judgment than would be the case in normal investment market conditions.

#### *(ii) Fair value in an inactive or unquoted market (Level 2 and Level 3)*

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Scheme would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Scheme for similar financial instruments.

#### *Valuation process for Level 3 valuations*

Valuations are the responsibility of the board of directors of the responsible entity.

The investment committee considers the appropriateness of the valuation methods and inputs, and may request that alternative valuation methods are applied to support the valuation arising from the method chosen. Any changes in valuation methods are discussed and agreed with the responsible entity's board of directors.

### 13 Fair value measurements (continued)

#### (ii) Fair value in an inactive or unquoted market (Level 2 and Level 3) (continued)

The valuations are also subject to quality assurance procedures performed within the valuation department. The valuation department verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to relevant documents and market information. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations in the four preceding quarters as well as with the valuations of the two preceding annual periods. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further considered by the investment committee.

There were no other changes in valuation techniques during the year.

#### (iii) Recognised fair value measurements

The tables below set out the Schemes' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2016 and 30 June 2015:

As at 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>Australian Share Fund</b>				
<b>Financial assets</b>				
Financial assets available for sale:				
Listed equities	1,839,018	-	-	1,839,018
Floating rate notes	4,245	-	-	4,245
Listed unit trusts	226,781	-	-	226,781
Unlisted unit trusts	-	53,083	-	53,083
Total	<u>2,070,044</u>	<u>53,083</u>	<u>-</u>	<u>2,123,127</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	111	-	-	111
Exchange traded options	600	-	-	600
Total	<u>711</u>	<u>-</u>	<u>-</u>	<u>711</u>

As at 30 June 2015

<b>Financial assets</b>				
Financial assets available for sale:				
Listed equities	1,742,704	-	-	1,742,704
Floating rate notes	4,276	-	-	4,276
Listed unit trusts	148,775	-	-	148,775
Unlisted unit trusts	-	62,777	-	62,777
Financial liabilities held for trading:				
Futures	484	-	-	484
Total	<u>1,896,239</u>	<u>62,777</u>	<u>-</u>	<u>1,959,016</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	76	-	-	76
Total	<u>76</u>	<u>-</u>	<u>-</u>	<u>76</u>

**13 Fair value measurements (continued)**

*(iii) Recognised fair value measurements (continued)*

As at 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>Equity Income Fund</b>				
<b>Financial assets</b>				
Financial assets available for sale:				
Listed equities	221,463	-	-	221,463
Listed unit trusts	58,408	-	-	58,408
Financial assets held for trading:				
Derivatives	10,266	-	-	10,266
Total	<u>290,137</u>	-	-	<u>290,137</u>

<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	1,772	37	-	1,809
Total	<u>1,772</u>	<u>37</u>	-	<u>1,809</u>

As at 30 June 2015

<b>Financial assets</b>				
Financial assets available for sale:				
Listed equities	114,311	-	-	114,311
Listed unit trusts	14,514	-	-	14,514
Financial assets held for trading:				
Derivatives	3,723	-	-	3,723
Total	<u>132,548</u>	-	-	<u>132,548</u>

<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	420	-	-	420
Total	<u>420</u>	-	-	<u>420</u>

As at 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
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**Smaller Companies Fund**

<b>Financial assets</b>				
Financial assets available for sale:				
Listed equities	120,618	-	-	120,618
Listed unit trusts	16,008	-	-	16,008
Unlisted equities	3,463	-	-	3,463
Financial assets held for trading:				
Derivatives	3	-	-	3
Total	<u>140,092</u>	-	-	<u>140,092</u>

As at 30 June 2015

<b>Financial assets</b>				
Financial assets available for sale:				
Listed equities	97,946	-	-	97,946
Listed unit trusts	15,758	-	-	15,758
Unlisted equities	-	2,535	-	2,535
Total	<u>113,704</u>	<u>2,535</u>	-	<u>116,239</u>

13 Fair value measurements (continued)

(iii) Recognised fair value measurements (continued)

As at 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>Industrial Share Fund</b>				
<b>Financial assets</b>				
Financial assets available for sale:				
Listed equities	210,485	-	-	210,485
Listed unit trusts	28,360	-	-	28,360
Total	238,845	-	-	238,845

<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	99	20	-	119
Total	99	20	-	119

As at 30 June 2015

<b>Financial assets</b>				
Financial assets available for sale:				
Listed equities	212,708	-	-	212,708
Listed unit trusts	19,212	-	-	19,212
Unlisted equities	-	2,335	-	2,335
Total	231,920	2,335	-	234,255

<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	23	-	-	23
Total	23	-	-	23

As at 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
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<b>Future Leaders Fund</b>				
<b>Financial assets</b>				
Financial assets available for sale:				
Listed equities	316,742	-	-	316,742
Listed unit trusts	64,862	-	-	64,862
Unlisted equities	9,620	-	-	9,620
Financial assets held for trading:				
Derivatives	9	-	-	9
Total	391,233	-	-	391,233

As at 30 June 2015

<b>Financial assets</b>				
Financial assets available for sale:				
Listed equities	242,470	-	-	242,470
Listed unit trusts	34,312	-	-	34,312
Unlisted equities	-	5,914	-	5,914
Total	276,782	5,914	-	282,696

13 Fair value measurements (continued)

(iii) Recognised fair value measurements (continued)

As at 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>Small Cap Fund</b>				
<b>Financial assets</b>				
Financial assets available for sale:				
Listed equities	43,635	-	-	43,635
Listed unit trusts	8,496	-	-	8,496
Unlisted equities	-	1,257	-	1,257
Financial assets held for trading:				
Derivatives	1			1
Total	<u>52,132</u>	<u>1,257</u>	<u>-</u>	<u>53,389</u>

As at 30 June 2015

<b>Financial assets</b>				
Financial assets available for sale:				
Listed equities	19,107	-	-	19,107
Listed unit trusts	3,280	-	-	3,280
Unlisted equities	-	488	-	488
Total	<u>22,387</u>	<u>488</u>	<u>-</u>	<u>22,875</u>

As at 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>Concentrated Australian Share Fund</b>				
<b>Financial assets</b>				
Financial assets available for sale:				
Listed equities	13,759	-	-	13,759
Listed unit trusts	2,017	-	-	2,017
Unlisted equities	-	-	-	-
Total	<u>15,776</u>	<u>-</u>	<u>-</u>	<u>15,776</u>

As at 30 June 2015

<b>Financial assets</b>				
Financial assets available for sale:				
Listed equities	2,934	-	-	2,934
Listed unit trusts	336	-	-	336
Unlisted equities	-	124	-	124
Total	<u>3,270</u>	<u>124</u>	<u>-</u>	<u>3,394</u>



### 13 Fair value measurements (continued)

#### (iv) Fair value measurements using significant unobservable inputs (level 3)

There were no movements between the levels across all instruments for the year ended 30 June 2016 and 30 June 2015.

#### (v) Transfers between levels

There were no transfers between levels for the year 30 June 2016 and 30 June 2015.

#### (vi) Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade payables are assumed to approximate their fair values.

### 14 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Industrial Share Fund		Future Leaders Fund		Small Cap Fund		Concentrated Australian Share Fund	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>														
Operating profit for the year	108,497	190,435	22,334	10,234	17,424	21,340	11,831	25,999	46,606	55,415	6,260	3,275	2,083	319
Changes in the fair value of assets	(28,518)	(116,525)	(13,044)	(5,662)	(12,854)	(16,399)	(2,214)	(16,976)	(35,254)	(45,487)	(4,987)	(2,965)	(1,849)	(231)
Proceeds from sale of investments	463,173	373,877	128,189	100,106	58,837	62,262	61,890	90,666	124,257	115,276	12,176	8,800	3,272	600
Purchase of investments	(597,054)	(389,599)	(277,661)	(158,654)	(69,941)	(45,789)	(66,344)	(86,150)	(198,141)	(108,088)	(37,552)	(13,999)	(13,930)	(842)
Net change in dividends/distributions receivable	(2,464)	1,503	(1,636)	(136)	(104)	105	(260)	271	(958)	341	(158)	(8)	(52)	5
Net change in interest receivables	7	29	(80)	(28)	4	(3)	-	3	20	(26)	1	(6)	(3)	(1)
Net change in other receivables	(37)	(55)	(54)	(14)	(8)	(4)	(1)	(3)	(28)	(18)	(9)	(11)	(5)	-
Net change in payables and other liabilities	(9)	201	148	69	6	13	(11)	20	62	71	(109)	136	49	1
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(56,405)</b>	<b>59,866</b>	<b>(141,804)</b>	<b>(54,085)</b>	<b>(6,636)</b>	<b>21,525</b>	<b>4,891</b>	<b>13,830</b>	<b>(63,436)</b>	<b>17,484</b>	<b>(24,378)</b>	<b>(4,778)</b>	<b>(10,435)</b>	<b>(149)</b>

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Industrial Share Fund		Future Leaders Fund		Small Cap Fund		Concentrated Australian Share Fund	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>(b) Components of cash and cash equivalents</b>														
Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the statements of financial position as follows:														
Cash and cash equivalents	135,730	139,804	59,855	39,071	18,788	21,610	21,439	19,825	43,791	51,047	4,694	5,354	2,851	802
Deposits at call	4,713	2,888	11	11	-	-	-	-	-	-	-	-	148	6
	<b>140,443</b>	<b>142,692</b>	<b>59,866</b>	<b>39,082</b>	<b>18,788</b>	<b>21,610</b>	<b>21,439</b>	<b>19,825</b>	<b>43,791</b>	<b>51,047</b>	<b>4,694</b>	<b>5,354</b>	<b>2,999</b>	<b>808</b>

**14 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities (continued)**

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Industrial Share Fund		Future Leaders Fund		Small Cap Fund		Concentrated Australian Share Fund	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(c) Non-cash financing and investing activities														
During the period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	25,500	37,666	1,155	693	2,297	1,351	1,671	1,236	4,461	1,948	38	39	18	27

**15 Auditors remuneration**

During the year the following fees were paid or payable for services provided by the auditor of the schemes:

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Industrial Share Fund		Future Leaders Fund		Small Cap Fund		Concentrated Australian Share Fund	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Audit and review of financial reports	7,100	6,800	7,100	6,800	7,100	6,800	7,100	6,800	7,100	6,800	7,100	6,800	7,100	6,800

Auditor's remuneration is payable by the Responsible Entity. The auditor of the schemes is Ernst & Young.

**16 Events occurring after the reporting period**

On 6 September 2016, Investors Mutual Industrial Share Fund has changed name to Investors Mutual All Industrials Share Fund.

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the schemes disclosed in the statements of financial position as at 30 June 2016 or on the results and cash flows of the schemes for the year ended on that date.

**17 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2016 and 30 June 2015.

### Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 49 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the schemes' financial position as at 30 June 2016 and of their performance for the financial period ended on that date; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(a); and
- (c) there are reasonable grounds to believe that the Schemes will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Anton Tagliaferro  
Director

Sydney  
16 September 2016

# Independent Auditor's Report to the unitholders of Investors Mutual Limited's managed investments schemes

## Report on the Financial Reports

For the following Investors Mutual Limited's managed investments schemes (the "Schemes"):

- ▶ Investors Mutual Small Cap Fund
- ▶ Investors Mutual Future Leaders Fund
- ▶ Investors Mutual Industrial Share Fund
- ▶ Investors Mutual Australian Smaller Companies Fund
- ▶ Investors Mutual Australian Share Fund
- ▶ Investors Mutual Equity Income Fund
- ▶ Investors Mutual Concentrated Australian Share Fund

We have audited the accompanying financial reports of the above Schemes, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### ***Directors' Responsibility for the Financial Reports***

The directors of Investors Mutual Limited as the Responsible Entity of the Schemes (the "Responsible Entity") are responsible for the preparation of the financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial reports that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial reports. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial reports, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Responsible Entity's preparation and fair presentation of the financial reports that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Responsible Entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial reports.

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

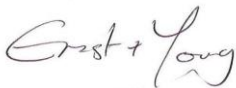
## ***Independence***

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## ***Opinion***

In our opinion:

- a. the financial reports of the Schemes are in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the Schemes' financial position as at 30 June 2016 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial reports also comply with *International Financial Reporting Standards* as disclosed in Note 2(a).



Ernst & Young



Darren Handley-Greaves  
Partner

Sydney  
16 September 2016