

**Investors Mutual Limited**  
**Managed Investment Schemes**  
**Condensed interim report - for the half-year ended 31 December 2015**

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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 report consists of 4 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 Future Leaders Fund**  
ARSN 093 182 828

## Directors' report

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

### Statutory name

Investors Mutual Australian Share Fund  
Investors Mutual Equity Income Fund  
Investors Mutual Australian Smaller Companies Fund  
Investors Mutual Future Leaders Fund

### Referred to in this document as

Australian Share Fund  
Equity Income Fund  
Smaller Companies Fund  
Future Leaders Fund

present their report together with the financial reports of the Schemes for the half-year ended 31 December 2015 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 half-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 half-year.

There were no significant changes in the nature of the Schemes' activities during the half-year.

## Directors

The following persons held office as directors of Investors Mutual Limited during the half-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 14 September 2015)

**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		Future Leaders Fund	
	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000
Net operating profit/(loss)	19,311	130,085	10,485	5,607	8,644	9,778	20,786	29,551
<i>Distributions</i>								
Distribution paid and payable	45,361	42,611	5,986	2,480	8,849	3,131	18,879	6,255
Distribution (cents per unit)	6.00	6.00	2.90	2.40	13.00	5.00	6.00	2.50

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

The Schemes, except Investors Mutual Concentrated Australian Share Fund are entities of the kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial reports. Amounts in the directors' report and financial reports have been rounded to the nearest thousand dollars in accordance with that Class Order, 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 5.

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



Anton Tagliaferro  
Director

Sydney  
March 2016



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

Investors Mutual Australian Share Fund  
Investors Mutual Equity Income Fund  
Investors Mutual Australian Smaller Companies Fund  
Investors Mutual Future Leaders Fund

As lead auditor for the review of the Schemes listed above for the half-year ended 31 December 2015, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

Ernst & Young

Darren Handley-Greaves  
Partner  
7 March 2016

**Statement of comprehensive income**

		Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund	
	Notes	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000
<b>Investment income</b>									
Interest income		1,493	1,571	383	152	184	147	416	359
Dividend/distribution income		48,916	45,248	4,082	2,199	2,741	3,302	6,529	6,475
Changes in the fair value of investments held for trading		(20,556)	93,644	7,269	3,951	6,469	7,027	15,750	24,222
Other operating income		467	383	34	3	-	6	41	6
<b>Total investment profit</b>		<b>30,320</b>	<b>140,846</b>	<b>11,768</b>	<b>6,305</b>	<b>9,394</b>	<b>10,482</b>	<b>22,736</b>	<b>31,062</b>
<b>Expenses</b>									
Responsible entity's fees		10,393	10,110	953	481	662	629	1,683	1,381
Transaction costs		616	651	329	216	88	75	267	130
Other operating expenses		-	-	1	1	-	-	-	-
<b>Total operating expenses</b>		<b>11,009</b>	<b>10,761</b>	<b>1,283</b>	<b>698</b>	<b>750</b>	<b>704</b>	<b>1,950</b>	<b>1,511</b>
<b>Operating profit</b>		<b>19,311</b>	<b>130,085</b>	<b>10,485</b>	<b>5,607</b>	<b>8,644</b>	<b>9,778</b>	<b>20,786</b>	<b>29,551</b>
<b>Finance costs attributable to unitholders</b>									
Distributions to unitholders	4	45,361	42,611	5,986	2,480	8,849	3,131	18,879	6,255
Changes in net assets attributable to unitholders	3	(26,050)	87,474	4,499	3,127	(205)	6,647	1,907	23,296
<b>Profit for the half-year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other comprehensive income for the period		-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**Statement of financial position**

		Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund	
	Notes	31 December 2015 \$'000	30 June 2015 \$'000	31 December 2015 \$'000	30 June 2015 \$'000	31 December 2015 \$'000	30 June 2015 \$'000	31 December 2015 \$'000	30 June 2015 \$'000
<b>Assets</b>									
Cash and cash equivalents		166,932	142,692	32,822	39,082	23,530	21,610	59,335	51,047
Investments in financial assets held for trading	5	2,014,099	1,959,016	206,890	132,548	119,527	116,239	319,244	282,696
Other receivables		457	493	51	42	29	31	96	73
Due from brokers - receivable for securities sold		1,853	-	-	-	-	2	-	-
Applications receivable		586	1,544	217	145	-	233	1,538	444
Dividends/distributions receivable		7,309	15,758	304	956	428	511	988	830
Interest receivable		266	208	54	49	35	29	89	78
<b>Total assets</b>		<b>2,191,502</b>	<b>2,119,711</b>	<b>240,338</b>	<b>172,822</b>	<b>143,549</b>	<b>138,655</b>	<b>381,290</b>	<b>335,168</b>
<b>Liabilities</b>									
Distributions payable		45,361	41,047	4,152	5,716	8,849	11,141	18,879	27,155
Due to brokers - payable for securities purchased		183	804	975	6,316	-	1,989	-	4,612
Redemptions payable		397	2,065	28	52	-	3	78	283
Other payables		1,943	2,007	203	150	127	131	333	314
Investments in financial liabilities held for trading	6	1,407	76	2,086	420	-	-	-	-
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>49,291</b>	<b>45,999</b>	<b>7,444</b>	<b>12,654</b>	<b>8,976</b>	<b>13,264</b>	<b>19,290</b>	<b>32,364</b>
<b>Net assets attributable to unitholders - liability</b>	3	<b>2,142,211</b>	<b>2,073,712</b>	<b>232,894</b>	<b>160,168</b>	<b>134,573</b>	<b>125,391</b>	<b>362,000</b>	<b>302,804</b>

The above statement 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  
Statement of changes in net assets attributable to unitholders  
For the half-year ended 31 December 2015

Statement of changes in net assets attributable to unitholders

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund	
	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000
Net assets attributable to unitholders at the beginning of the half-year	2,073,712	1,895,943	160,168	72,993	125,391	118,140	302,804	250,020
Operating profit attributable to unitholders	19,311	130,085	10,485	5,607	8,644	9,778	20,786	29,551
Distributions to unitholders	(45,361)	(42,611)	(5,986)	(2,480)	(8,849)	(3,131)	(18,879)	(6,255)
Applications for units	247,418	194,221	74,711	47,264	17,302	3,995	74,227	31,310
Redemption of units	(152,869)	(160,716)	(6,484)	(5,830)	(7,915)	(5,500)	(16,938)	(20,452)
<b>Net assets attributable to unitholders at the end of the half-year</b>	<b>2,142,211</b>	<b>2,016,922</b>	<b>232,894</b>	<b>117,554</b>	<b>134,573</b>	<b>123,282</b>	<b>362,000</b>	<b>284,174</b>

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

**Statement of cash flows**

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund	
	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000	31 December 2015 \$'000	31 December 2014 \$'000
<b>Cash flows from operating activities</b>								
Proceeds from sale of investments held for trading	160,757	184,423	52,335	34,404	31,405	29,574	71,059	43,670
Purchase of investments held for trading	(237,539)	(187,619)	(123,083)	(66,916)	(30,211)	(15,493)	(96,469)	(30,745)
Transaction costs	(616)	(651)	(329)	(216)	(88)	(75)	(267)	(130)
Dividends/distributions received	57,365	56,840	4,734	2,844	2,824	3,282	6,371	6,532
Interest received	1,435	1,572	378	144	178	138	405	334
Other income received	503	394	34	3	2	6	20	6
Responsible Entity's fees paid	(10,457)	(10,003)	(909)	(456)	(666)	(625)	(1,666)	(1,349)
Payment of other expenses	-	-	(1)	(1)	-	-	-	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(28,552)</b>	<b>44,956</b>	<b>(66,841)</b>	<b>(30,194)</b>	<b>3,444</b>	<b>16,807</b>	<b>(20,547)</b>	<b>18,318</b>
<b>Cash flows from financing activities</b>								
Proceeds from applications by unitholders	236,215	168,962	74,066	46,954	16,363	2,989	70,608	29,440
Payments for redemptions by unitholders	(154,537)	(162,012)	(6,508)	(5,846)	(7,918)	(5,611)	(17,143)	(20,686)
Distributions paid	(28,886)	(61,793)	(6,977)	(3,755)	(9,969)	(8,895)	(24,630)	(15,779)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>52,792</b>	<b>(54,843)</b>	<b>60,581</b>	<b>37,353</b>	<b>(1,524)</b>	<b>(11,517)</b>	<b>28,835</b>	<b>(7,025)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>24,240</b>	<b>(9,887)</b>	<b>(6,260)</b>	<b>7,159</b>	<b>1,920</b>	<b>5,290</b>	<b>8,288</b>	<b>11,293</b>
Cash and cash equivalents at the beginning of the half-year	142,692	142,157	39,082	13,315	21,610	13,295	51,047	27,133
<b>Cash and cash equivalents at the end of the half-year</b>	<b>166,932</b>	<b>132,270</b>	<b>32,822</b>	<b>20,474</b>	<b>23,530</b>	<b>18,585</b>	<b>59,335</b>	<b>38,426</b>

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

## 1 General information

This financial report covers 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.

	Constituted Date	Termination Date
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
Future Leaders Fund	29 June 1998	28 June 2078

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 report was authorised for issue by the directors on March 2016. The directors of the Responsible Entity have the power to amend and reissue the condensed interim 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.

This general purpose interim financial report for the half-year ended 31 December 2015 has been prepared in accordance with the *Corporation Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year 30 June 2015 and any public announcements made in respect of the Schemes during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The financial report presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Schemes under ASIC Class Order 98/100. The Schemes are an entity to which the class order applies.

### (a) Statement of compliance

The financial report complies with Australian Accounting Standards applicable to interim reporting as issued by the Australia Accounting Standards Board and International Financial Reporting Standards (IFRS) applicable to interim reporting as issued by the International Accounting Standards Board.

## 2 Summary of significant accounting policies (continued)

### (b) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods. 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 Schemes.

The Schemes have not yet decided if they will early 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 Schemes' 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 Schemes' 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 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality (effective from 1 July 2015)

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 Schemes.

(iv) AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent (effective 1 July 2015)

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 Schemes.

(v) AASB 2015-3 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception (effective from 1 July 2015)

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 Schemes.

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.

### 3 Net assets attributable to unitholders

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

	31 December 2015 No. ('000)	31 December 2014 No. ('000)	31 December 2015 \$'000	31 December 2014 \$'000
<b>Australian Share Fund</b>				
Opening balance	722,838	698,138	2,073,712	1,895,943
Applications	82,997	59,879	235,257	169,055
Redemptions	(54,053)	(57,086)	(152,869)	(160,716)
Units issued upon reinvestment of distributions	4,234	9,258	12,161	25,166
Change in net assets attributable to unitholders	-	-	(26,050)	87,474
Closing balance	<u>756,016</u>	<u>710,189</u>	<u>2,142,211</u>	<u>2,016,922</u>
<b>Equity Income Fund</b>				
Opening balance	153,817	72,025	160,168	72,993
Applications	70,398	44,663	74,138	46,957
Redemptions	(6,221)	(5,544)	(6,484)	(5,830)
Units issued upon reinvestment of distributions	554	301	573	307
Change in net assets attributable to unitholders	-	-	4,499	3,127
Closing balance	<u>218,548</u>	<u>111,445</u>	<u>232,894</u>	<u>117,554</u>
<b>Smaller Companies Fund</b>				
Opening balance	63,374	63,363	125,391	118,140
Applications	7,999	1,502	16,130	2,962
Redemptions	(3,891)	(2,791)	(7,915)	(5,500)
Units issued upon reinvestment of distributions	589	552	1,172	1,033
Change in net assets attributable to unitholders	-	-	(205)	6,647
Closing balance	<u>68,071</u>	<u>62,626</u>	<u>134,573</u>	<u>123,282</u>
<b>Future Leaders Fund</b>				
Opening balance	265,879	240,301	302,804	250,020
Applications	61,178	26,634	71,702	29,362
Redemptions	(14,614)	(18,536)	(16,938)	(20,452)
Units issued upon reinvestment of distributions	2,206	1,819	2,525	1,948
Change in net assets attributable to unitholders	-	-	1,907	23,296
Closing balance	<u>314,649</u>	<u>250,218</u>	<u>362,000</u>	<u>284,174</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.

#### 4 Distributions to unitholders

The distributions for the half-year were as follows:

	31 December 2015 \$'000	31 December 2015 CPU	31 December 2014 \$'000	31 December 2014 CPU
<b>Australian Share Fund</b>				
<b>Distributions</b>				
Distributions payable - December	45,361	6.00	42,611	6.00
	<u>45,361</u>		<u>42,611</u>	
<b>Equity Income Fund</b>				
<b>Distributions</b>				
Distributions paid - September	1,834	1.00	1,031	1.10
Distributions payable - December	4,152	1.90	1,449	1.30
	<u>5,986</u>		<u>2,480</u>	
<b>Smaller Companies Fund</b>				
<b>Distributions</b>				
Distributions payable - December	8,849	13.00	3,131	5.00
	<u>8,849</u>		<u>3,131</u>	
<b>Future Leaders Fund</b>				
<b>Distributions</b>				
Distributions payable - December	18,879	6.00	6,255	2.50
	<u>18,879</u>		<u>6,255</u>	

#### 5 Investments in financial assets held for trading

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund	
	31 December 2015 Fair value \$'000	30 June 2015 Fair value \$'000	31 December 2015 Fair value \$'000	30 June 2015 Fair value \$'000	31 December 2015 Fair value \$'000	30 June 2015 Fair value \$'000	31 December 2015 Fair value \$'000	30 June 2015 Fair value \$'000
<b>Held for trading</b>								
Listed equities	1,769,105	1,742,704	174,797	114,311	103,863	98,492	263,059	243,772
Unlisted unit trusts	58,671	62,777	-	-	-	-	-	-
Listed unit trusts	182,082	148,775	25,248	14,514	15,664	15,758	56,185	34,312
Futures	-	484	-	-	-	-	-	-
Floating rate notes	4,241	4,276	6,845	3,723	-	-	-	-
Unlisted equities	-	-	-	-	-	1,989	-	4,612
Total held for trading	<u>2,014,099</u>	<u>1,959,016</u>	<u>206,890</u>	<u>132,548</u>	<u>119,527</u>	<u>116,239</u>	<u>319,244</u>	<u>282,696</u>

## 6 Investments in financial liabilities held for trading

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund	
	31 December 2015	30 June 2015	31 December 2015	30 June 2015	31 December 2015	30 June 2015	31 December 2015	30 June 2015
	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000
<b>Held for trading</b>								
Futures	1,158	-	-	-	-	-	-	-
Options	249	76	2,086	420	-	-	-	-
Total held for trading	<b>1,407</b>	<b>76</b>	<b>2,086</b>	<b>420</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 7 Fair value measurements

The Schemes 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 Schemes' assets and liabilities at the end of each reporting period approximate their fair values.

All financial assets and financial liabilities included in the statement 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 statement 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 Schemes is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Schemes hold derivatives with offsetting market risks, the Schemes use 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.

## 7 Fair value measurements (continued)

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

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 Schemes 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 Schemes 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.

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.



**7 Fair value measurements (continued)**

*(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 December 2015 and 30 June 2015:

As at 31 December 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>Australian Share Fund</b>				
<b>Financial assets</b>				
Financial assets held for trading:				
Listed equities	1,769,105	-	-	1,769,105
Floating rate notes	4,241	-	-	4,241
Listed unit trusts	182,082	-	-	182,082
Unlisted unit trusts	-	58,671	-	58,671
Total	<u>1,955,428</u>	<u>58,671</u>	<u>-</u>	<u>2,014,099</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Futures	1,159	-	-	1,159
Exchange traded options	249	-	-	249
Total	<u>1,408</u>	<u>-</u>	<u>-</u>	<u>1,408</u>

As at 30 June 2015

<b>Financial assets</b>				
Financial assets held for trading:				
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
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:				
Exchange traded options	76	-	-	76
Total	<u>76</u>	<u>-</u>	<u>-</u>	<u>76</u>

**7 Fair value measurements (continued)**

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

As at 31 December 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>Equity Income Fund</b>				
<b>Financial assets</b>				
Financial assets held for trading:				
Listed equities	174,797	-	-	174,797
Listed unit trusts	25,248	-	-	25,248
Derivatives	6,845	-	-	6,845
Total	<u>206,890</u>	<u>-</u>	<u>-</u>	<u>206,890</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	2,086	-	-	2,086
Total	<u>2,086</u>	<u>-</u>	<u>-</u>	<u>2,086</u>
As at 30 June 2015				
<b>Financial assets</b>				
Financial assets held for trading:				
Listed equities	114,311	-	-	114,311
Listed unit trusts	14,514	-	-	14,514
Derivatives	3,723	-	-	3,723
Total	<u>132,548</u>	<u>-</u>	<u>-</u>	<u>132,548</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
Derivatives	420	-	-	420
Total	<u>420</u>	<u>-</u>	<u>-</u>	<u>420</u>
As at 31 December 2015				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>Smaller Companies Fund</b>				
<b>Financial assets</b>				
Financial assets held for trading:				
Listed equities	103,863	-	-	103,863
Listed unit trusts	15,664	-	-	15,664
Total	<u>119,527</u>	<u>-</u>	<u>-</u>	<u>119,527</u>
As at 30 June 2015				
<b>Financial assets</b>				
Financial assets held for trading:				
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>-</u>	<u>116,239</u>

## 7 Fair value measurements (continued)

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

As at 31 December 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>Future Leaders Fund</b>				
<b>Financial assets</b>				
Financial assets held for trading:				
Listed equities	263,059	-	-	263,059
Listed unit trusts	56,185	-	-	56,185
<b>Total</b>	<b>319,244</b>	<b>-</b>	<b>-</b>	<b>319,244</b>

As at 30 June 2015

As at 30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
<b>Financial assets</b>				
Financial assets held for trading:				
Listed equities	242,470	-	-	242,470
Listed unit trusts	34,312	-	-	34,312
Unlisted unit trusts	-	5,914	-	5,914
<b>Total</b>	<b>276,782</b>	<b>5,914</b>	<b>-</b>	<b>282,696</b>

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

The following table presents the movement in level 3 instruments for the year ended 30 December 2015 and 30 June 2015.

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund	
	31 December 2015 \$'000	30 June 2015 \$'000	31 December 2015 \$'000	30 June 2015 \$'000	31 December 2015 \$'000	30 June 2015 \$'000	31 December 2015 \$'000	30 June 2015 \$'000
Opening balance	-	-	-	-	-	-	-	-
Transfers out of level 3	-	-	-	-	-	-	-	-
Purchases	-	-	-	-	-	-	-	-
Sales	-	-	-	-	-	-	-	-
Transfers into level 3	-	-	-	-	-	-	-	-
Gains/(losses) recognised in statement of comprehensive income	-	-	-	-	-	-	-	-
<b>Closing Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### (v) Transfers between levels

There were no transfers between levels for the half-year ended 31 December 2015 and 30 June 2015.

### (vi) Movement in level 3 instruments

There were no investments classified as level 3 within the Schemes as at 31 December 2015 and 31 December 2014.

### (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.

Net assets attributable to unit holders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior year.

**8 Events occurring after the reporting period**

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Schemes disclosed in the statement of financial position as at 31 December 2015 or on the results and cash flows of the Schemes for the year ended on that date.

**9 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2015 and 31 December 2014.

**Directors' declaration**

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 19 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 31 December 2015 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  
March 2016