

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

present their report together with the financial reports of the Schemes for the half-year ended 31 December 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 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
Hugh Giddy
Antony Robinson
Joseph Ferragina (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		Future Leaders Fund	
	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000
Net operating profit/(loss)	177,298	19,311	20,010	10,485	19,521	8,644	44,265	20,786
<i>Distributions</i>								
Distribution paid and payable	48,964	45,361	13,200	5,986	5,002	8,849	13,858	18,879
Distribution (cents per unit)	6.00	6.00	2.90	2.90	6.00	13.00	3.50	6.00

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 financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

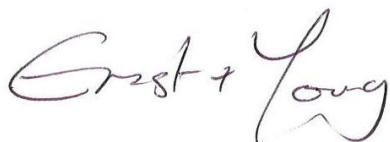
Sydney
 08 March 2017

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; and
- ▶ Investors Mutual Future Leaders Fund.

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



Ernst & Young



Darren Handley-Greaves
Partner
8 March 2017

Investors Mutual Limited
Managed Investment Schemes
Statement of comprehensive income
For the half-year ended 31 December 2016

Statement of comprehensive income

		Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund	
	Notes	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000
Investment income									
Interest income		1,369	1,493	1,074	383	136	184	338	416
Dividend/distribution income		49,342	48,916	21,246	4,082	3,853	2,741	10,161	6,529
Changes in the fair value of investments		139,030	(20,556)	382	7,269	16,407	6,469	36,240	15,750
Other operating income		229	467	22	34	75	-	125	41
Total investment profit		189,970	30,320	22,724	11,768	20,471	9,394	46,864	22,736
Expenses									
Responsible entity's fees		11,944	10,393	2,151	953	825	662	2,286	1,683
Transaction costs		728	616	563	329	125	88	313	267
Other operating expenses		-	-	-	1	-	-	-	-
Total operating expenses		12,672	11,009	2,714	1,283	950	750	2,599	1,950
Operating profit		177,298	19,311	20,010	10,485	19,521	8,644	44,265	20,786
Finance costs attributable to unitholders									
Distributions to unitholders	4	48,964	45,361	13,200	5,986	5,002	8,849	13,858	18,879
Changes in net assets attributable to unitholders	3	128,334	(26,050)	6,810	4,499	14,519	(205)	30,407	1,907
Profit for the half-year		-	-	-	-	-	-	-	-
Other comprehensive income for the period		-	-	-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	-	-	-	-

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	As at 31 December 2016 \$'000	As at 30 June 2016 \$'000	As at 31 December 2016 \$'000	As at 30 June 2016 \$'000	As at 31 December 2016 \$'000	As at 30 June 2016 \$'000	As at 31 December 2016 \$'000	As at 30 June 2016 \$'000
Assets									
Cash and cash equivalents		186,866	140,443	124,183	59,866	33,693	18,788	57,221	43,791
Financial assets held at fair value through profit and loss	5	2,370,914	2,123,127	407,736	290,137	148,414	140,092	445,395	391,233
Other receivables		472	530	109	96	36	39	98	101
Due from brokers - receivable for securities sold		1,326	1,194	99	-	-	987	-	2,926
Applications receivable		902	997	322	1,410	292	58	434	581
Dividends/distributions receivable		7,270	18,222	2,203	2,592	472	615	1,332	1,788
Interest receivable		209	201	128	129	28	25	55	58
Total assets		2,567,959	2,284,714	534,780	354,230	182,935	160,604	504,535	440,478
Liabilities									
Distributions payable	4	48,964	26,011	9,127	9,450	5,002	14,128	13,858	32,189
Due to brokers - payable for securities purchased		499	3,075	28	-	2,475	2,869	6,535	6,937
Redemptions payable		516	1,187	15	136	14	31	361	4,883
Other payables		2,157	1,998	444	298	153	137	426	376
Financial liabilities held at fair value through profit and loss	6	1,056	711	6,078	1,809	-	-	-	-
Total liabilities (excluding net assets attributable to unitholders)		53,192	32,982	15,692	11,693	7,644	17,165	21,180	44,385
Net assets attributable to unitholders - liability	3	2,514,767	2,251,732	519,088	342,537	175,291	143,439	483,355	396,093

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 2016

Statement of changes in net assets attributable to unitholders

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund	
	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000
Net assets attributable to unitholders at the beginning of the half-year	2,251,732	2,073,712	342,537	160,168	143,439	125,391	396,093	302,804
Operating profit attributable to unitholders	177,298	19,311	20,010	10,485	19,521	8,644	44,265	20,786
Distributions to unitholders	(48,964)	(45,361)	(13,200)	(5,986)	(5,002)	(8,849)	(13,858)	(18,879)
Applications for units	259,383	247,418	187,398	74,711	31,965	17,302	80,235	74,227
Redemption of units	(124,682)	(152,869)	(17,657)	(6,484)	(14,632)	(7,915)	(23,380)	(16,938)
Net assets attributable to unitholders at the end of the half-year	2,514,767	2,142,211	519,088	232,894	175,291	134,573	483,355	362,000

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

Investors Mutual Limited
Managed Investment Schemes
Statement of cash flows
For the half-year ended 31 December 2016

Statement of cash flows

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund	
	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000
Notes								
Cash flows from operating activities								
Proceeds from sale of investments	133,076	160,757	64,417	52,335	46,855	31,405	91,677	71,059
Purchase of investments	(244,196)	(237,539)	(177,436)	(123,083)	(38,177)	(30,211)	(107,075)	(96,469)
Transaction costs	(728)	(616)	(563)	(329)	(125)	(88)	(313)	(267)
Dividends/distributions received	60,294	57,365	21,635	4,734	3,996	2,824	10,617	6,371
Interest received	1,361	1,435	1,075	378	133	178	341	405
Other income received	288	503	22	34	81	2	135	20
Responsible Entity's fees paid	(11,786)	(10,457)	(2,005)	(909)	(809)	(666)	(2,243)	(1,666)
Payment of other expenses	-	-	(13)	(1)	(3)	-	-	-
Net cash inflow/(outflow) from operating activities	(61,691)	(28,552)	(92,868)	(66,841)	11,951	3,444	(6,861)	(20,547)
Cash flows from financing activities								
Proceeds from applications by unitholders	251,874	236,215	187,172	74,066	29,854	16,363	77,917	70,608
Payments for redemptions by unitholders	(125,353)	(154,537)	(17,778)	(6,508)	(14,649)	(7,918)	(27,902)	(17,143)
Distributions paid	(18,407)	(28,886)	(12,209)	(6,977)	(12,251)	(9,969)	(29,724)	(24,630)
Net cash (outflow)/inflow from financing activities	108,114	52,792	157,185	60,581	2,954	(1,524)	20,291	28,835
Net increase/(decrease) in cash and cash equivalents	46,423	24,240	64,317	(6,260)	14,905	1,920	13,430	8,288
Cash and cash equivalents at the beginning of the half-year	140,443	142,692	59,866	39,082	18,788	21,610	43,791	51,047
Cash and cash equivalents at the end of the half-year	186,866	166,932	124,183	32,822	33,693	23,530	57,221	59,335

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 2017. 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 interim financial reports are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

This interim financial report for the half-year ended 31 December 2016 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 2016 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*.

This interim financial report is 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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Schemes are entities to which the Instrument applies.

(a) Statement of compliance

The interim 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 2016 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/distributions 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 interim financial reports.

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

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 half-year were as follows:

	1 July 2016 to 31 December 2016 No. ('000)	1 July 2015 to 31 December 2015 No. ('000)	1 July 2016 to 31 December 2016 \$'000	1 July 2015 to 31 December 2015 \$'000
Australian Share Fund				
Opening balance	771,766	722,838	2,251,732	2,073,712
Applications	83,067	82,997	251,779	235,257
Redemptions	(41,376)	(54,053)	(124,682)	(152,869)
Units issued upon reinvestment of distributions	2,602	4,234	7,604	12,161
Change in net assets attributable to unitholders	-	-	128,334	(26,050)
Closing balance	816,059	756,016	2,514,767	2,142,211
Equity Income Fund				
Opening balance	322,875	153,817	342,537	160,168
Applications	172,758	70,398	186,084	74,138
Redemptions	(16,488)	(6,221)	(17,657)	(6,484)
Units issued upon reinvestment of distributions	1,231	554	1,314	573
Change in net assets attributable to unitholders	-	-	6,810	4,499
Closing balance	480,376	218,548	519,088	232,894
Smaller Companies Fund				
Opening balance	74,992	63,374	143,439	125,391
Applications	14,315	7,999	30,088	16,130
Redemptions	(6,919)	(3,891)	(14,632)	(7,915)
Units issued upon reinvestment of distributions	975	589	1,877	1,172
Change in net assets attributable to unitholders	-	-	14,519	(205)
Closing balance	83,363	68,071	175,291	134,573
Future Leaders Fund				
Opening balance	349,204	265,879	396,093	302,804
Applications	63,726	61,178	77,770	71,702
Redemptions	(19,145)	(14,614)	(23,380)	(16,938)
Units issued upon reinvestment of distributions	2,163	2,206	2,465	2,525
Change in net assets attributable to unitholders	-	-	30,407	1,907
Closing balance	395,948	314,649	483,355	362,000

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:

	1 July 2016 to 31 December 2016 \$'000	1 July 2016 to 31 December 2016 CPU	1 July 2015 to 31 December 2015 \$'000	1 July 2015 to 31 December 2015 CPU
Australian Share Fund				
Distributions				
Distributions payable - December	48,964	6.00	45,361	6.00
	<u>48,964</u>		<u>45,361</u>	
Equity Income Fund				
Distributions				
Distributions paid - September	4,073	1.00	1,834	1.00
Distributions payable - December	9,127	1.90	4,152	1.90
	<u>13,200</u>		<u>5,986</u>	
Smaller Companies Fund				
Distributions				
Distributions payable - December	5,002	6.00	8,849	13.00
	<u>5,002</u>		<u>8,849</u>	
Future Leaders Fund				
Distributions				
Distributions payable - December	13,858	3.50	18,879	6.00
	<u>13,858</u>		<u>18,879</u>	

5 Financial assets held at fair value through profit or loss

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund	
	As at	As at	As at	As at	As at	As at	As at	As at
	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June
	2016	2016	2016	2016	2016	2016	2016	2016
	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets designated at fair value through profit and loss								
Listed equities	2,069,370	1,839,018	311,104	221,463	133,312	120,618	386,088	316,742
Unlisted unit trusts	48,688	53,083	-	-	-	-	-	-
Listed unit trusts	252,856	226,781	96,632	58,408	15,096	16,008	59,289	64,862
Floating rate notes	-	4,245	-	10,266	-	-	-	-
Unlisted equities	-	-	-	-	-	3,463	-	9,620
Total financial assets designated at fair value through profit and loss	2,370,914	2,123,127	407,736	290,137	148,408	140,089	445,377	391,224
Held for trading								
Options	-	-	-	-	6	3	18	9
Total held for trading	-	-	-	-	6	3	18	9
Total financial assets held at fair value through profit or loss	2,370,914	2,123,127	407,736	290,137	148,414	140,092	445,395	391,233

6 Financial liabilities held at fair value through profit or loss

	Australian Share Fund		Equity Income Fund		Smaller Companies Fund		Future Leaders Fund	
	As at	As at	As at	As at	As at	As at	As at	As at
	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June
	2016	2016	2016	2016	2016	2016	2016	2016
	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Held for trading								
Futures	290	111	-	-	-	-	-	-
Options	766	600	6,078	1,809	-	-	-	-
Total held for trading	1,056	711	6,078	1,809	-	-	-	-

7 Fair value measurements

The Schemes measure and recognise 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.

(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 of the investment manager 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 half-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 31 December 2016 and 30 June 2016:

Australian Share Fund	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
As at 31 December 2016				
Financial assets				
Financial assets designated at fair value through profit and loss:				
Listed equities	2,069,370	-	-	2,069,370
Listed unit trusts	252,856	-	-	252,856
Unlisted unit trusts	-	48,688	-	48,688
Total	2,322,226	48,688	-	2,370,914
Financial liabilities				
Financial liabilities held for trading:				
Futures	290	-	-	290
Exchange traded options	766	-	-	766
Total	1,056	-	-	1,056
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
As at 30 June 2016				
Financial assets				
Financial assets designated at fair value through profit and loss:				
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	2,070,044	53,083	-	2,123,127
Financial liabilities				
Financial liabilities held for trading:				
Futures	111	-	-	111
Exchange traded options	600	-	-	600
Total	711	-	-	711

7 Fair value measurements (continued)

(iii) Recognised fair value measurements (continued)

Equity Income Fund

As at 31 December 2016

Financial assets

Financial assets designated at fair value through profit and loss:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
Listed equities	311,104	-	-	311,104
Listed unit trusts	96,632	-	-	96,632
Total	407,736	-	-	407,736

Financial liabilities

Financial liabilities held for trading:

Derivatives	6,078	-	-	6,078
Total	6,078	-	-	6,078

As at 30 June 2016

Financial assets

Financial assets designated at fair value through profit and loss:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
Listed equities	221,463	-	-	221,463
Listed unit trusts	58,408	-	-	58,408
Financial assets held for trading:				
Derivatives	10,266	-	-	10,266
Total	290,137	-	-	290,137

Financial liabilities

Financial liabilities held for trading:

Derivatives	1,772	37	-	1,809
Total	1,772	37	-	1,809

7 Fair value measurements (continued)

(iii) Recognised fair value measurements (continued)

Smaller Companies Fund

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
As at 31 December 2016				
Financial assets				
Financial assets designated at fair value through profit and loss:				
Listed equities	133,312	-	-	133,312
Listed unit trusts	15,096	-	-	15,096
Financial assets held for trading:				
Derivatives	6	-	-	6
Total	148,414	-	-	148,414

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
As at 30 June 2016				
Financial assets				
Financial assets designated at fair value through profit and loss:				
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	140,092	-	-	140,092

7 Fair value measurements (continued)

(iii) Recognised fair value measurements (continued)

Future Leaders Fund	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
As at 31 December 2016				
Financial assets				
Financial assets designated at fair value through profit and loss:				
Listed equities	386,088	-	-	386,088
Listed unit trusts	59,289	-	-	59,289
Financial assets held for trading:				
Derivatives	18	-	-	18
Total	<u>445,395</u>	-	-	<u>445,395</u>

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total balance \$'000
As at 30 June 2016				
Financial assets				
Financial assets designated at fair value through profit and loss:				
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	<u>391,233</u>	-	-	<u>391,233</u>

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

There were no investments classified as Level 3 within the Schemes as at 31 December 2016 and 30 June 2016.

(v) Transfers between levels

There were no transfers between levels for the half-year ended 31 December 2016 and the year ended 30 June 2016.

7 Fair value measurements (continued)

(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. The difference is not material in the current or prior period.

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 2016 or on the results and cash flows of the Schemes for the half-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 2016 and 30 June 2016.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 21 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 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
08 March 2017

To the Unitholders of Investors Mutual Limited's managed investment schemes

Report on the Condensed Half-Year Financial Report

For the following Schemes:

- ▶ Investors Mutual Australian Share Fund;
- ▶ Investors Mutual Equity Income Fund;
- ▶ Investors Mutual Australian Smaller Companies Fund; and
- ▶ Investors Mutual Future Leaders Fund.

We have reviewed the accompanying half-year financial report consisting of the Schemes listed above, which comprises the statements of financial positions as at 31 December 2016, the statements of comprehensive income, statements of changes in net assets attributable to unitholders and statements of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Investor Mutual Limited, as the Responsible Entity of the Schemes are responsible for the preparation of the half-year financial report that gives 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Schemes' financial position as at 31 December 2016 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Schemes, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

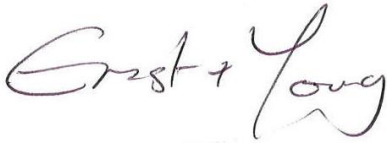
Independence

In conducting our review, 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 attached to the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Schemes are not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Schemes' financial positions as at 31 December 2016 and of their performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Darren Handley-Greaves
Partner
Sydney
8 March 2017