

# **Annual Financial Report**

Ganes Focused Value Fund

ARSN 117 119 712

30 June 2012

## DIRECTORY

Ganes Focused Value Fund  
ARSN 117 119 712

Responsible Entity  
Ganes Capital Management Limited  
ACN 102 319 675  
AFSL 291363

Investment Manager  
Ganes Capital Management Limited  
ACN 102 319 675  
AFSL 291363

Registered Office of the Responsible Entity & Investment Manager  
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Auditor of the Fund  
Jason Croston  
SRJ Chartered Accountants  
Unit 3 / 27 South Pine Road  
Strathpine Qld 4500

## Directors' report

The directors of Ganes Capital Management Limited, the responsible entity of the Ganes Focused Value Fund Managed Investment Scheme ("the Scheme"), present their report together with the financial report of the Scheme, for the year ended 30 June 2012 and the auditor's report thereon.

### Responsible Entity

The principal place of business of the responsible entity and the Scheme is 44 Clifton St, Wilston.

The directors of Ganes Capital Management Limited during or since the end of the financial year are:

<b>Name and Qualifications</b>	<b>Age</b>	<b>Period of directorship</b>	
Leonard J Scanlan B Bus (Accy) BA MPA	59	Non Executive Chairman	- Appointed 04/01/2010
Clive N Gaunt B Bus MFM PhD	49	Executive Director	- Appointed 26/09/2002
Wayne C Jones B Bus (Accounting) CPA	51	Executive Director	- Appointed 26/09/2002

### Principal Activities

The Scheme is a registered managed investment scheme domiciled in Australia.

The activities of the Scheme continued to be in accordance with the investment policy of the Scheme as outlined in the current product disclosure statement (PDS). The key asset category is publicly listed equities.

The Scheme did not have any employees during the year.

### Review of operations

#### Results

The Scheme has performed well in a volatile domestic and international investment environment. The Scheme outperformed its benchmark (as disclosed in the Scheme's PDS) and provided a return through a combination of distribution of income and capital growth.

The results of the Scheme's operations and its performance were as follows:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Net income/(loss) from operations	<b>195,216</b>	<b>1,338,657</b>
Interim Distribution paid	<b>128,357</b>	<b>162,641</b>
Final Distributions payable	<b>52,341</b>	<b>116,416</b>
Change in net assets attributable to unitholders	<b>14,518</b>	<b>1,059,600</b>
Interim distribution paid - cents per unit	<b>3.3942</b>	<b>3.8967</b>
Final distribution payable – cents per unit	<b>1.4398</b>	<b>2.8411</b>

#### Performance

Growth return	<b>0.4%</b>	<b>14.0%</b>
Distribution return	<b>2.5%</b>	<b>3.8%</b>
Total return	<b>2.9%</b>	<b>17.8%</b>
Benchmark return	<b>-7.0%</b>	<b>11.9%</b>
Redemption unit price (ex distribution) as at 30 June	<b>\$2.00926</b>	<b>\$2.00127</b>

Growth return is the percentage change in the scheme's redemption price. This return includes any distributions made during the year.

Total return is the percentage change of the unitholders' financial interest in the scheme assuming all distributions are reinvested in the scheme. Distribution return is the total return less growth return.

Benchmark return is the percentage above or below the benchmark disclosed in the Product Disclosure Statement which is the ASX300 Accumulation Index. For the period 1 July 2011 to 30 June 2012 the scheme outperformed the benchmarked index by 9.9% (2011: outperformance of 5.9%)

Returns have been calculated after fees and assuming reinvestment of distributions, in accordance with FSC standard 6.00 Product Performance.

The basis for valuation of the Scheme's assets is disclosed in Note 3 to the financial statements.

### **Interests of the Responsible Entity**

The following fees were paid to Ganes Capital Management Ltd out of the scheme property during the financial year.

	2012	2011
	\$	\$
Responsible Entity fees paid directly by the Scheme	<b>189,574</b>	<b>143,404</b>

### **Significant changes in the state of affairs**

In the opinion of the Responsible Entity there have been no significant changes in the nature of the Scheme's activities during the year.

### **Likely developments**

The Scheme will continue to pursue its policy of providing returns through active investment selection.

Further information about likely developments in the operations of the Scheme and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Scheme.

### **Environmental regulation**

The Scheme's operations are not subject to any significant environmental regulation under either Commonwealth, State or Territory legislation.

### **Events subsequent to balance date**

Subsequent to balance date, the aggregate fair value of the scheme's net assets has increased by \$505,093 to \$7,844,442, as at 31st August 2012. Any impact on the Scheme has not been recognised in the 30 June 2012 financial statements.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

### **Indemnities and insurance premiums for officers or auditors**

#### **Indemnification**

Under the Scheme constitution the Responsible Entity, including its officers and employees, is indemnified out of the Scheme's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Scheme.

The Scheme has not indemnified any auditor of the Scheme.

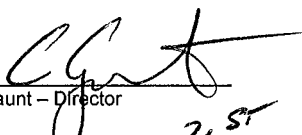
#### **Insurance premiums**

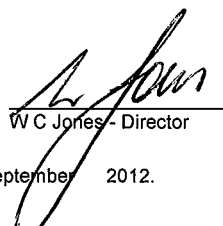
No insurance premiums are paid out of the Scheme's assets in relation to insurance cover for the Responsible Entity, its officers and employees, the Compliance Committee or the auditors of the Scheme.

**Auditor's independence declaration**

The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the year ended 30<sup>th</sup> June 2012.

This report is made with a resolution of the directors of Ganes Capital Management Limited.

  
C N Gaunt – Director

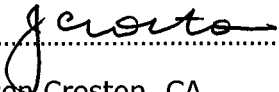
  
W C Jones – Director

Dated at Brisbane this 21<sup>st</sup> day of September 2012.

### AUDITOR'S INDEPENDENCE DECLARATION

As auditor for the audit of Ganes Focused Value Fund for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

  
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Jason Croston, CA

Registered Company Auditor

Brisbane

SRJ

Dated: 21 September 2012

# Ganes Focused Value Fund Managed Investment Scheme

## Statement of financial position

As at 30 June 2012

	Note	30 June 2012	30 June 2011
<b>Assets</b>			
Cash and cash equivalents	9(a)	1,856,569	1,320,504
Financial assets held at fair value through profit and loss:			
Listed Equity Investments	5	5,578,266	7,003,757
Loans and receivables:			
Interest, Dividends and other receivables		25,552	30,338
<b>Total assets</b>		<b>7,460,387</b>	<b>8,354,599</b>
<b>Liabilities</b>			
Financial liabilities measured at amortised cost:			
Distributions payable	11	51,912	116,042
Accounts payable	9(b)	69,125	9,707
<b>Liabilities (excluding net assets attributable to unitholders)</b>		<b>121,038</b>	<b>125,749</b>
<b>Net assets attributable to unitholders</b>	4	<b>7,339,349</b>	<b>8,228,850</b>
Represented by:			
Net assets attributable to unitholders at redemption price		7,313,661	8,200,049
Adjustments arising from different unit pricing and accounting standard valuation principles		25,688	28,801
		<b>7,339,349</b>	<b>8,228,850</b>

*The accompanying notes form part of these financial statements*

# Ganes Focused Value Fund Managed Investment Scheme

## Statement of comprehensive income

For the year ended 30 June 2012

	Note	2012	2011
<b>Revenue</b>			
Interest income	6	81,524	72,861
Dividend and distribution income	6	288,749	349,647
Net changes in fair value of investments	7	187,664	933,528
Net gain/(loss) on sale of investments		(173,147)	126,025
Net investment income/(loss)		<u>384,790</u>	<u>1,482,061</u>
<b>Expenses</b>			
Responsible Entity fees	13	(167,331)	(118,759)
Other operating expenses	13	(22,243)	(24,645)
Operating expenses before finance costs		<u>(189,574)</u>	<u>(143,404)</u>
<b>Profit/(loss) from operating activities</b>		<u>195,216</u>	<u>1,338,657</u>
<b>Finance costs</b>			
Distribution expense to unitholders	10	<u>(180,698)</u>	<u>(279,057)</u>
<b>Change in net assets attributable to unitholders / total comprehensive income</b>	4	<u>14,518</u>	<u>1,059,600</u>

*The accompanying notes form part of these financial statements.*



# Ganes Focused Value Fund Managed Investment Scheme

## Statement of changes in equity

### For the year ended 30 June 2012

The Scheme's net assets attributable to unitholders are classified as a liability under AASB 32 Financial Instruments: Presentation. As such the Scheme has no equity, and no items of changes in equity have been presented for the current or comparative year.

*The accompanying notes form part of these financial statements.*

# Ganes Focused Value Fund Managed Investment Scheme

## Statement of cash flows

For the year ended 30 June 2012

	Note	2012	2011
<b>Cash flows from operating activities</b>			
Interest received		82,767	71,913
Interest paid		-	-
Dividends received		291,368	343,881
Operating expenses paid		(130,169)	(142,948)
Net cash flows from operating activities	9(b)	<u>243,966</u>	<u>272,846</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		1,774,578	2,599,988
Purchase of investments		(334,569)	(1,199,316)
Net cash flows (used in)/from investing activities		<u>1,440,009</u>	<u>1,400,672</u>
<b>Cash flow from financing activities</b>			
Proceeds from issue of redeemable units		140,017	6,859
Payments on redemption of redeemable units		(1,243,757)	(698,239)
Distributions paid		(44,170)	(49,982)
Net cash flows (used in)/from financing activities		<u>(1,147,910)</u>	<u>(741,362)</u>
Net (decrease)/increase in cash and cash equivalents		536,065	932,156
Cash and cash equivalents at 1 July		<u>1,320,504</u>	<u>388,348</u>
Cash and cash equivalents at 30 June	9(a)	<u>1,856,569</u>	<u>1,320,504</u>

*The accompanying notes form part of these financial statements*

## Notes to the financial statements

### 1. Reporting entity

Ganes Focused Value Fund Managed Investment Scheme (the 'Scheme') is a registered managed investment scheme under the Corporations Act 2001. The financial report of the Scheme is for the year ended 30 June 2012.

### 2. Basis of preparation

#### (a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report of the scheme complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors of the Responsible Entity on 21st September 2012.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value. Financial instruments classified as loans and receivables are measured at amortised cost.

#### (c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Scheme's functional currency.

#### (d) Use of estimates and judgements

The financial assets and liabilities of Ganes Focused Value Fund Managed Investment Scheme are determined by reference to a published price quotation in an active market.

#### (e) Changes in accounting policies

There were no changes in the accounting policies of the Scheme during the year.

### 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Scheme has not early adopted any accounting standard.

#### (a) Financial Instruments

##### (i) Recognition and Initial measurement

Financial assets and liabilities at fair value through profit or loss are recognised initially on the trade date at which the scheme becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they originated.

##### (ii) Classification

The category of financial assets and financial liabilities at fair value through profit or loss comprises:

- Financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. These include investment in fixed interest, equity instruments and units in unlisted managed investment schemes. The fair value through profit or loss classification is available for the majority of the financial assets held by the Scheme and the financial liabilities arising from the units on issue must be fair valued. Therefore, not fair valuing the financial assets used in calculating the fair value of the liability would result in an accounting mismatch. In addition, the scheme's performance and risk management are assessed on a fair value basis.

## Notes to the financial statements

### 3 Significant accounting policies (continued)

Financial assets that are classified as loans and receivables and measured at amortised cost include cash and cash equivalents and include balances due from brokers and accounts receivable.

Financial liabilities at amortised cost include balances due to brokers and accounts payable.

#### (iii) Measurement

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the profit or loss.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

Financial liabilities arising from the redeemable units issued by the Scheme are carried at the redemption amount representing the investors' right to a residual interest in the Scheme's assets, effectively fair value at reporting date.

#### (iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at last sale prices, while financial liabilities are priced at current asking prices.

If a quoted price is not available on a recognised stock exchange or from a broker / dealer for non-exchanged-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, 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 balance sheet date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance sheet date. 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.

#### (v) Redeemable units

All redeemable units issued by the scheme provide the investors with the right to require redemption for cash and give rise to a financial liability. In accordance with the product disclosure statement the Scheme is contractually obliged to redeem units at the redemption price, which includes an allowance for transaction costs that would be incurred by the Scheme on disposal of its assets to fund the redemptions. As a result of the transaction cost factor, there will be a difference between the carrying amount of the net assets of the Scheme (excluding the unitholders' funds classified as a financial liability) and the contractual amount payable to unitholders which is based on the redemption price. The adjustments arising from different unity pricing and IFRS valuation principles are presented in the statement of financial position as part of the net assets attributable to unitholders.

#### (vi) Specific Instruments

##### Cash and cash equivalents

Cash comprises current deposits with banks and cash management trusts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### (b) Interest income

Interest income and expense is recognised in the statement of comprehensive income as it accrues, using the effective interest rate method of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income is recognised on a gross basis, including withholding tax, if any.

#### (c) Dividend income

Dividend income relating to exchange-traded equity investments is recognised in the statement of comprehensive income on the ex-dividend date.

In some cases, the Scheme may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the Scheme recognises the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

#### (d) Expenses

All expenses, including management fees and custodian fees, are recognised in the profit or loss on an accruals basis.

#### (e) Foreign exchange gains and losses

Foreign exchange gain and losses on financial assets and liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Included in the profit or loss item net foreign exchange loss are net foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified at fair value through profit or loss (FVTPL).

#### (f) Distribution and taxation

Under current legislation the Scheme is not subject to income tax as its taxable income (including assessable realised capital gains) is distributed in full to the unitholders. The Scheme fully distributes its distributable income, calculated in accordance with the Scheme constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the constitution.

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 Scheme is not subject to capital gains tax.

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

Non-distributable income, which may comprise unrealised changes in the fair value of investments, net capital losses, tax-deferred income, accrued income not yet assessable and non-deductible expenses are reflected in the profit and loss as change in net assets attributable to unitholders.

These items are included in the determination of distributable income in the period for which they are assessable for taxation purposes

#### (h) Unit prices

The unit price is based on unit pricing accounting outlined in the Scheme's Constitution and product disclosure statement.

#### (i) Finance costs

Distributions paid and payable on units are recognised in the Statement of Comprehensive Income as finance costs and as a liability until paid. Distributions paid are included in cash flows from financing activities in the statement of cash flows.

## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### (j) Goods and services tax

Management fees, custody fees and other expenses are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC).

Payables are stated with the amount of GST included.

The net amount of GST recoverable from the ATO is included in the receivables in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis.

#### (k) New standards and interpretation not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Scheme. However, AASB 9 will change the classification of financial assets.

AASB 9 is not expected to have an impact on the measurement basis of the financial assets since the majority of the Scheme's financial assets are measured at fair value through profit or loss.

AASB 9 deals with recognition, derecognition, classification and measurement of financial assets and financial liabilities. Its requirements represent a significant change from the existing requirements in AASB 139 in respect of financial assets. The standard contains two primary measurement categories for financial assets: at amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing AASB 139 categories held to maturity, available for sale and loans and receivables.

For an investment in an equity instrument that is not held for trading, AASB 9 permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income, unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

AASB 9 requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

AASB 9 requires that the effects of changes in credit risk of liabilities designated as at fair value through profit and loss are presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss. Other requirements of AASB 9 relating to classification and measurement of financial liabilities are unchanged from AASB 139.

The requirements of AASB 9 relating to derecognition are unchanged from AASB 139.

The standard is effective from annual periods beginning on or after 1 January 2015. Earlier application is permitted. The scheme does not plan to adopt this standard early.

## Notes to the financial statements

### 4. Net assets attributable to unitholders

The Scheme considers its capital to be Unitholders' Funds. The Scheme manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability.

The objective of the Scheme is to provide unitholders with returns in accordance with the Product Disclosure Statement ("PDS"). The Scheme aims to deliver this objective mainly through investing in a portfolio in accordance with the limitations set by the PDS. The Scheme strives to invest in financial instruments that meet the Scheme's investment objectives while maintaining sufficient liquidity to meet unitholders' redemptions.

	30 June 2012		30 June 2011	
	No.	\$	No.	\$
Opening balance	4,097,572	8,228,850	4,314,154	7,596,898
Applications	171,691	339,738	122,785	270,591
Redemptions	(634,058)	(1,243,757)	(339,367)	(698,239)
Changes in net assets attributable to unitholders		14,518		1,059,600
<b>Closing balance</b>	<b>3,635,205</b>	<b>7,339,349</b>	<b>4,097,572</b>	<b>8,228,850</b>

### 5. Financial assets and liabilities

<b>Assets</b>	30 June 2012	30 June 2011
	\$	\$
<b>Financial assets at fair value through the profit or loss</b>		
<i>Designated at fair value through profit and loss upon initial recognition</i>		
Equity investments	5,578,266	7,003,757
<i>Total designated at fair value through profit or loss upon initial recognition</i>	<b>5,578,266</b>	<b>7,003,757</b>
<b>Total financial assets at fair value through the profit or loss</b>	<b>5,578,266</b>	<b>7,003,757</b>
<i>Loans and receivables</i>	<b>1,882,121</b>	<b>1,350,843</b>
<b>Total assets</b>	<b>7,460,387</b>	<b>8,354,600</b>
<b>Liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>	<b>121,038</b>	<b>125,749</b>
<b>Total liabilities</b>	<b>121,038</b>	<b>125,749</b>

Loans and receivables presented above represents cash and cash equivalents, balances due from brokers, receivables from reverse repurchase agreements and interest, dividends and other receivables as detailed in the statement of financial position.

Financial liabilities measured at amortised cost presented above represents balances due to brokers, payables under repurchase agreements, accounts payable and accrued expenses as detailed in the balance sheet.

## Notes to the financial statements

### 6. Interest and dividend income

The following table details the interest income earned by the Scheme during the year.

	2012	2011
Interest income from debt securities designated at fair value through profit and loss	26,317	29,871
Interest income for financial assets that are not at fair value through profit and loss:		
Cash and cash equivalents	55,024	42,990
<b>Total interest income</b>	<b>81,341</b>	<b>72,861</b>

The following table details the dividend income earned by the Scheme during the year.

	2012	2011
Dividend income from equity securities designated at fair value through profit and loss:	288,749	349,647
<b>Total dividend income</b>	<b>288,749</b>	<b>349,647</b>

### 7. Gains and losses from financial assets and liabilities designated at fair value through profit and loss

The following table details the net gains and net losses from financial assets and liabilities at fair value through the profit and loss for the Scheme for the year ended:

	2012	2011
<b>Designated at fair value through profit and loss</b>		
Equity investments	187,664	933,528
<b>Net gain / (loss) from financial assets and liabilities designated at fair value through profit or loss</b>	<b>187,664</b>	<b>933,528</b>
<b>Net gain / (loss) from financial assets and liabilities designated as held for trading</b>	<b>Nil</b>	<b>Nil</b>
<b>Net gain / (loss) from financial assets and liabilities at fair value through profit or loss</b>	<b>187,664</b>	<b>933,528</b>

Gains and losses presented above excludes interest income, dividend income and interest expense.



## Notes to the financial statements

### 8. Auditor's remuneration

	2012	2011
<b>Audit Services:</b>		
Auditors of the Scheme – SRJ:		
Audit and review of the financial statements	11,013	7,015
Other regulatory services	-	-
	<u>11,013</u>	<u>7,015</u>

Refer to note 13. All audit expenses and taxation services are paid by the Responsible Entity from the administration fee charged to the fund. These amounts represent the costs incurred and paid by the Responsible Entity. The 2012 amount includes an interim fee for the 2012 audit \$3,190 (2011: \$0).

### 9(a) Cash and cash equivalents

	2012	2011
Current deposits with Cash Management Trust	1,856,569	1,320,504
	<u>1,856,569</u>	<u>1,320,504</u>

### 9(b) Reconciliation of cash flows from operating activities

	2012	2011
Profit / (Loss) from operating activities	195,216	1,338,657
<b>Adjustments for:</b>		
Net unrealised (gain)/loss on equity investments	(187,664)	(933,528)
Net realised loss / (gain) on investments	173,147	(126,025)
Withholding tax on foreign investment	(935)	(773)
Interest, dividends and other receivables	4,785	(5,941)
Accounts payable	59,417	455
	<u>243,966</u>	<u>272,845</u>
<b>Cash flows from operating activities</b>	<b>243,966</b>	<b>272,845</b>

### 10 Distributions paid and payable

	30 June 2012		30 June 2011	
	\$	Cents per unit	\$	Cents per unit
Interim Distribution paid December	128,357	3.3942	162,641	3.8967
Final Distribution payable June	52,341	1.4398	116,042	2.8411
	<u>180,698</u>	<u>4.8340</u>	<u>252,822</u>	<u>6.7378</u>

# Notes to the financial statements

## 11 Financial instruments

### Overview

The Scheme's assets principally consist of financial instruments which are quoted Australian Securities Exchange (ASX) listed investments. It holds these investment assets at the discretion of the Scheme's Investment Manager in accordance with its investment strategy detailed in the current Product Disclosure Statement. Fair value of financial assets that are traded in active markets are based on quoted prices.

The allocation of assets is determined by the Scheme's Investment Manager who manages the Scheme's portfolio of assets to achieve the Scheme's investment objectives. The composition of the portfolio is monitored by the Scheme's Investment Manager on a regular basis.

The Scheme's investing activities expose it to the following risks from the use of financial instruments:

- o Market risk
- o Credit risk
- o Liquidity risk
- o Operational risk

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Scheme's risk management framework. The Responsible Entity's risk management policies are established to identify and analyse the risks faced by the Scheme.

### Market Risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Scheme's income or the value of its holdings of financial instruments. Market risk embodies the potential for both loss and gains. Market risk is managed and monitored by ensuring that investment activities are undertaken in accordance with the Scheme's investment objective as detailed in the current Product Disclosure Statement. The market risk disclosures are prepared on the basis of the Scheme's direct investments and not on a look through basis for investments held in the Scheme.

### Price risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Price risk exposure arises from the Scheme's investment portfolio. The investments are classified on the balance sheet as at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum loss resulting from financial instruments is determined by the fair value of the financial instruments.

As the majority of the Scheme's financial instruments are carried at fair value with fair value changes recognised in the income statement, all changes in market conditions will directly affect Net Investment income.

The Scheme's Investment Manager mitigates this price risk through diversification and selection of securities in accordance with the Scheme's investment objective as detailed in the current PDS. However, as detailed in the current PDS, the Scheme may invest up to 15% of its assets in a single security and may hold around 25 to 40 investments that account for 80% or more of the value of the fund. As such the Scheme is unlikely to hold a fully diversified portfolio. As at June 30 2012, the Scheme held 33 investments. The largest investment comprised 10.2% of the Scheme total value, the largest 10 investments accounted for 45.3% of the Scheme total value and the largest 30 investments accounted for 73.9% of the Scheme total value. Cash comprised 24.0% of the Scheme total value.

As detailed in the current PDS, the Scheme does not aim to duplicate or resemble any index portfolio, including its benchmark index the ASX/S&P 300. Accordingly, the portfolio will comprise a selection of securities which is very different from the benchmark index or any other index.

## Notes to the financial statements

### 12 Financial instruments (continued)

This may result in a concentration of exposure to one or more industries. As at June 30, 2012, the Scheme had investments across 15 GICS industry sectors with the largest exposure of 16.8% in Retailing, largely as a result of the investment in ARB Corporation. The exposure to each industry is detailed below.

GICS Industry Code	
Retailing	16.8%
Diversified Financials	14.3%
Health Care Equipment & Services	10.0%
Consumer Services	9.3%
Commercial & Professional Services	8.6%
Food & Staples Retailing	6.6%
Insurance	6.6%
Utilities	5.7%
Food Beverage & Tobacco	5.7%
Materials	4.3%
Information Technology	3.4%
Automobiles & Components	2.9%
Real Estate	2.2%
Capital Goods	1.7%
Banks	1.7%
Total	100.0%

Under normal circumstances the Scheme will only invest in listed Australian securities with up to 100% of investment assets invested in this type of financial instrument. Any funds not invested in listed Australian securities will normally be invested in at call cash account. At June 30, 2012 75.1% of the Schemes assets are invested in ASX listed securities and 24.9% deposited in the Goldman Sachs cash trust.

## Notes to the financial statements

### 12 Financial instruments (continued)

The Scheme's constitution provides for weekly applications and monthly redemptions and it is therefore exposed to the liquidity risk of meeting unitholder redemptions in this period. Monthly redemptions with a five day minimum notice period allow the Responsible Entity to plan the sale of any Scheme investments which may be required to fund redemptions.

The Scheme invests in a range of securities listed on the Australian Securities Exchange. Each security has a different level of liquidity which can be measured as the dollar value of securities traded on a normal trading day. In general, the larger the total market capitalisation of the company represented by the security, the greater the liquidity and vice versa. The Responsible Entity monitors the overall liquidity of the portfolio so that, as far as possible, it can meet its financial obligations as they fall due.

2012	Contractual cash flows	Less than 1 month	1-3 months	3 months to a year	On call
<b>Financial Liabilities</b>					
Balance due to brokers	-				
Accounts payable	69,125	69,125			
Other payables - Distribution	51,912	51,912			
Net assets attributable to unitholders	7,339,349	8,228,850			
	<b>7,460,387</b>	<b>7,460,387</b>	-	-	-
<b>2011</b>					
Contractual cash flows	Less than 1 month	1-3 months	3 months to a year	On call	
<b>Financial Liabilities</b>					
Balance due to brokers	-				
Accounts payable	9,707	9,707			
Other payables - Distribution	116,042	116,042			
Net assets attributable to unitholders	8,228,850	8,228,850			
	<b>8,354,599</b>	<b>8,354,599</b>	-	-	-

### Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Scheme's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Scheme's operations.

The objective of the Responsible Entity of the Scheme is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Responsible Entity.

The Responsible Entity and Investment Manager is a small organisation and is very dependent on the continuing services of two executive directors, Clive Gaunt and Wayne Jones, who are responsible for investment management and all associated Scheme administration and compliance activities. The loss of one or both of these individuals' services is likely to have a significant impact on the operation of the business. This means that the Scheme may have a greater exposure to operational risk than many other comparable Managed Investment Schemes.

### Estimation of fair values

The major methods and assumptions used in estimating the fair values of financial instruments were disclosed in note 3 of the Significant accounting policies section.

At 30 June 2012, the carrying amounts of equity investments which fair values were determined directly by reference to published price quotations amounted to \$5,578,266 (2011: \$7,003,757).

## Notes to the financial statements

### 13 Related Parties

#### Responsible Entity

The Responsible Entity of Ganes Focused Value Fund Managed Investment Scheme is Ganes Capital Management Limited (ABN 68 102 319 675), AFSL 291 363.

#### Key Management Personnel

The Scheme does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Scheme and this is considered the key management personnel. The executive directors of the Responsible Entity are key management personnel of that entity and their names are Clive N Gaunt and Wayne C Jones.

The manager is entitled to a management fee which is calculated as a proportion of net assets attributable to unitholders.

During the year, the Scheme expensed an amount of \$167,331 (2011: \$118,759) and at balance date an amount of \$75,881 (2011: \$12,364) owing to the Responsible Entity was included in accounts payable.

No compensation is paid to directors or directly by the Scheme to any of its key management personnel of the Responsible Entity.

#### Responsible Entity fees and other transactions

Expenses incurred by the Responsible Entity and reimbursed by the Scheme as administration expense was \$22,243 (2011: \$24,644). All direct costs of the Scheme such as Custodian fees, accounting and audit fees are paid by the Responsible Entity.

#### Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time Ganes Capital Management Limited or its directors and director-related entities may invest in or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors.

#### Related party investments held by the Scheme

The Scheme has no investment in Ganes Capital Management Limited or its associates.

## Notes to the financial statements

### 13 Related parties (continued)

#### Units in the Scheme held by related parties and key management personnel

At 30 June 2012 the following units in the Scheme were held by related parties and key management personnel.

30 June 2012 Ganes Focused Value Fund	Units Held	Net fair value \$	Interest held %	Units purchased	Units sold	Distribution received / receivable \$
Ganes Capital Management Ltd	888	1,804	0.0	27	-	42
Clive Gaunt	112,006	227,289	3.1	3,164	60,000	7,390
Wayne Jones	130,173	264,330	3.6	8,092	-	6,215
Len Scanlan	Nil	-	-	-	-	-
	<b>243,067</b>	<b>493,423</b>	<b>6.7</b>	<b>11,283</b>	<b>60,000</b>	<b>13,647</b>

30 June 2011 Ganes Focused Value Fund	Units Held	Net fair value \$	Interest held %	Units purchased	Units sold	Distribution received / receivable \$
Ganes Capital Management Ltd	861	1,753	0.0	33	-	57
Clive Gaunt	168,842	343,867	4.1	3,702	-	11,274
Wayne Jones	122,081	248,632	3.0	4,600	-	8,115
Len Scanlan	Nil	-	-	-	-	-
	<b>291,784</b>	<b>594,252</b>	<b>7.1</b>	<b>8,335</b>	<b>-</b>	<b>19,446</b>

#### Key management personnel loan disclosures

The Scheme has 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.

#### Other transactions within the Scheme

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

### 14 Contingencies

There are no contingent liabilities or contingent assets as at 30 June 2012 and 30 June 2011.

### 15 Events subsequent to reporting date

There has not arisen in between the end of the financial year and the date of this report any item, transaction or event of a material nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme.

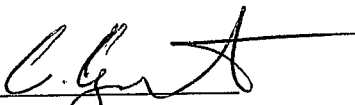
# Ganes Focused Value Fund Managed Investment Scheme

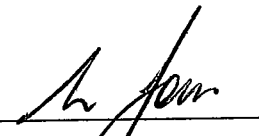
## Directors' declaration

In the opinion of the directors of Ganes Capital Management Limited, the responsible entity of Ganes Focused Value Fund Managed Investment Scheme (the Scheme):

- (a) the financial statements and notes set out on pages 5 to 21, are in accordance with the Corporations Act 2001 including:
  - (i) giving a true and fair view of the Scheme's financial position as at 30 June 2012 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors of Ganes Capital Management Limited:

  
Clive Nolar Gaunt  
Director

  
Wayne Cameron Jones  
Director

Dated at Brisbane this 21<sup>st</sup> day of September 2012

## INDEPENDENT AUDITOR'S REPORT

### To the Unitholders of Ganes Focused Value Fund

#### *Report on the Financial Report*

We have audited the accompanying financial report, being a general purpose financial report of Ganes Focused Value Fund ("the company"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity 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 Report*

The directors of the company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We have 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 whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives 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 entity's internal control. 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 report.

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



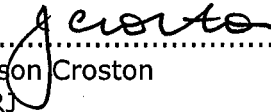
**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Ganes Focused Value Fund, would be in the same terms if given to the directors as at the time of the auditor's report.

**Opinion**

In our opinion the financial report of Ganes Focused Value Fund is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

  
.....  
Jason Croston  
SRJ  
Director

Date: 21 September 2012

Address: Unit 3, 27 Southpine Road, STRATHPINE QLD 4500