

# **Annual Financial Report**

Ganes Focused Value Fund

ARSN 117 119 712

30 June 2018

## **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**

C/ - SRJ Walker Wayland

Unit 3 / 27 South Pine Road

Strathpine Qld 4500

#### **Postal Address**

P.O. Box 3512

Newmarket Qld 4051

#### **Contact details**

Phone: 1300 766 916

Fax: 1300 766 917

Email: [admin@ganescapital.com.au](mailto:admin@ganescapital.com.au)

Internet: [www.ganescapital.com](http://www.ganescapital.com)

#### **Custodian**

Invia Custodian Pty Ltd

101 Collins Street

Melbourne VIC 3000

#### **Auditor of the Compliance Plan**

John Arthur Statham

Hogg Lawson Chartered Accountants

Level 1, 22 Wandoo Street

Fortitude Valley QLD 4006

#### **Auditor of the Fund**

Jason Croston

SRJ Walker Wayland

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 2018 and the auditor's report thereon.

### Responsible Entity

The registered office of the responsible entity and the scheme is unit 3 / 27 South Pine Rd, Strathpine, Queensland.

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

Name and Qualifications	Age	Period of directorship	
Leonard J Scanlan B Bus (Accy) BA MPA	65	Non-Executive Chairman	- Appointed 04/01/2010
Clive N Gaunt B Bus MFM PhD	55	Executive Director	- Appointed 26/09/2002
Wayne C Jones B Bus, Grad Dip App Finance CPA	57	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:

	2018	2017
	\$	\$
Net income/(loss) from operations	1,751,698	848,690
Interim Distribution paid	77,353	56,089
Final Distributions payable	456,256	111,804
Change in net assets attributable to unitholders	1,218,089	680,797
Interim distribution paid - cents per unit	2.8620	2.1121
Final distribution payable - cents per unit	18.4235	4.1919
<b>Performance</b>		
Growth return	15.6%	10.1%
Distribution return	7.7%	2.4%
Total return	23.2%	12.5%
Benchmark return	13.2%	13.8%
Redemption unit price (ex distribution) as at 30 June	\$3.2526	\$2.8140

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 (and no other acquisition or disposal/withdrawal). 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 2017 to 30 June 2018 the scheme outperformed the benchmarked index by 10.0% (2017: underperformance of 1.3%)

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.

	2018	2017
	\$	\$
Responsible Entity fees paid directly by the Scheme	<b>117,514</b>	<b>102,425</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 risen by \$436,006 to \$8,517,643 as at 31st July 2018. Any impact on the Scheme has not been recognised in the 30 June 2018 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 2018.

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



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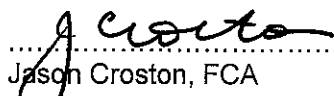
W C Jones — Director

Dated at Brisbane this 14<sup>th</sup> day of September 2018.

### AUDITOR'S INDEPENDENCE DECLARATION

As auditor for the audit of Ganes Focused Value Fund for the year ended 30 June 2018, 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.

  
.....  
Jason Croston, FCA  
Registered Company Auditor  
Brisbane  
SRJ Walker Wayland

Dated: 14 September 2018

# Ganes Focused Value Fund Managed Investment Scheme

## Statement of financial position

As at 30 June 2018

	Note	30 June 2018	30 June 2017
<b>Assets</b>			
Cash and cash equivalents			
Financial assets held at fair value through profit and loss:	9(a)	233,496	287,592
Listed Equity Investments	5	8,310,510	7,359,848
Loans and receivables:			
Interest, Dividends and other receivables		2,604	2,621
<b>Total assets</b>		<b>8,546,610</b>	<b>7,650,061</b>
<b>Liabilities</b>			
Financial liabilities measured at amortised cost:			
Distributions payable	10	454,434	111,804
Accounts payable	11	10,539	11,109
<b>Liabilities (excluding net assets attributable to unitholders)</b>		<b>464,973</b>	<b>122,913</b>
<b>Net assets attributable to unitholders</b>	4	<b>8,081,637</b>	<b>7,527,148</b>
Represented by:			
Net assets attributable to unitholders at redemption price		8,053,352	7,500,803
Adjustments arising from different unit pricing and accounting standard valuation principles		28,285	26,345
		<b>8,081,637</b>	<b>7,527,148</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 2018

	Note	2018	2017
<b>Revenue</b>			
Interest income	6	3,106	3,646
Dividend and distribution income	6	241,745	204,615
Net changes in fair value of investments	7	1,218,089	680,797
Net gain/(loss) on sale of investments	7	406,272	83,328
Net investment income/(loss)		<u>1,869,212</u>	<u>972,386</u>
<b>Expenses</b>			
Responsible Entity fees	14	(117,514)	(102,425)
Other operating expenses	14	-	(21,271)
Operating expenses before finance costs		<u>(117,514)</u>	<u>(123,696)</u>
<b>Profit/(loss) from operating activities</b>		<u>1,751,698</u>	<u>848,690</u>
<b>Finance costs</b>			
Distribution expense to unitholders	10	(533,609)	(167,893)
<b>Change in net assets attributable to unitholders / total comprehensive income</b>	4	<u>1, 218,089</u>	<u>680,796</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 2018**

The Scheme's net assets attributable to unitholders are classified as a liability under AASB 132 *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 2018

	Note	2018	2017
<b>Cash flows from operating activities</b>			
Interest received		3,042	3,728
Interest paid		-	-
Dividends received		238,511	204,615
Operating expenses paid		(118,003)	(123,279)
Net cash flows from operating activities	9(b)	<u>123,550</u>	<u>85,064</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		2,075,905	812,341
Purchase of investments		(1,402,207)	(771,180)
Net cash flows (used in)/from investing activities		<u>673,698</u>	<u>41,161</u>
<b>Cash flow from financing activities</b>			
Proceeds from issue of redeemable units		98,374	191,582
Payments on redemption of redeemable units		(937,669)	(262,551)
Distributions paid		(12,049)	(18,718)
Net cash flows (used in)/from financing activities		<u>(851,344)</u>	<u>(89,686)</u>
Net (decrease)/increase in cash and cash equivalents		(54,096)	36,539
Cash and cash equivalents at 1 July		<u>287,592</u>	<u>251,053</u>
Cash and cash equivalents at 30 June	9(a)	<u>233,496</u>	<u>287,592</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 2018.

### 2. Basis of preparation

#### (a) Statement of Compliance

(b) The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements were approved by the Board of Directors of the Responsible Entity on 14th September 2018.

#### (c) 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.

#### (d) Functional and presentation currency

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

#### (e) 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.

#### (f) 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 the 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 unit 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 issued but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting period and have not been early adopted by the Fund. The director's assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below.

##### (i) AASB 9 Financial instruments (AASB 9), (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 and impairment. 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 Fund's financial instruments as they are carried at fair value through the profit or loss. The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are all held at fair value through profit or loss, the change in impairment rules will not materially impact the Fund.

##### (ii) AASB 15 Revenue from Contracts with Customers (effective 1 July 2018)

AASB 15 supersedes the revenue recognition guidance in AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations. Although AASB 15 is principles-based, it is a significant change from the current revenue requirements and will involve more judgements and estimates. The core principle in AASB 15 is that an entity recognises revenue at an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for selling goods or services to customers.

There will be no material changes to timing or recognition of the Fund's key revenues as interest revenue, dividends and distribution income and investment gains are excluded from the scope of AASB 15

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

### 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 2018		30 June 2017	
	No.	\$	No.	\$
Opening balance	2,667,113	7,527,148	2,617,259	6,715,934
Applications	92,153	274,069	145,964	392,969
Redemptions	(282,779)	(937,669)	(96,110)	(262,551)
Changes in net assets attributable to unitholders		1,218,089		680,796
<b>Closing balance</b>	<b>2,476,487</b>	<b>8,081,637</b>	<b>2,667,113</b>	<b>7,527,148</b>

## Notes to the financial statements

### 5. Financial assets and liabilities

The following table details the categories of financial assets and liabilities held by the scheme at the reporting date:

<b>Assets</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
<b>Financial assets at fair value through the profit or loss</b>	<b>\$</b>	<b>\$</b>
<i>Designated at fair value through profit and loss upon initial recognition</i>		
Equity investments listed on ASX	8,310,510	7,359,848
<i>Total designated at fair value through profit or loss upon initial recognition</i>	<b>8,310,510</b>	<b>7,359,848</b>
<b>Total financial assets at fair value through the profit or loss</b>	<b>8,310,510</b>	<b>7,359,848</b>
<i>Loans and receivables</i>	<b>236,100</b>	<b>290,213</b>
<b>Total assets</b>	<b>8,546,610</b>	<b>7,650,061</b>
<b>Liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>	<b>464,973</b>	<b>122,913</b>
<b>Total liabilities</b>	<b>464,973</b>	<b>122,913</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 distributions payable, balances due to brokers, accounts payable and accrued expenses as detailed in the statement of financial position.

### 6. Interest and dividend income

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

	<b>2018</b>	<b>2017</b>
Interest income from debt securities designated at fair value through profit and loss	-	-
Interest income from financial assets carried at amortised cost:		
Cash and cash equivalents	3,106	3,646
<b>Total interest income</b>	<b>3,106</b>	<b>3,646</b>

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

	<b>2018</b>	<b>2017</b>
Dividend income from equity securities designated at fair value through profit and loss:		
	241,745	204,615
<b>Total dividend income</b>	<b>241,745</b>	<b>204,615</b>

## Notes to the financial statements

### 7. Gains and losses from financial assets held 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:

	2018	2017
<b>Designated at fair value through profit and loss</b>		
Net realised gains/(losses) on financial assets	406,271	83,328
Net unrealised gains/(losses) on financial assets	1,218,089	680,797
	<hr/>	<hr/>
<b>Net gain / (loss) on financial assets and liabilities designated at fair value through profit or loss</b>	<b>1,624,360</b>	<b>764,125</b>
	<hr/>	<hr/>
<b>Net gain / (loss) from financial assets and liabilities at fair value through profit or loss</b>	<b>1,624,360</b>	<b>764,125</b>

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

### 8. Auditor's remuneration

	2018	2017
<b>Audit Services:</b>		
Auditors of the Scheme – SRJ Walker Wayland:		
Audit and review of the financial statements	8,000	8,000
	<hr/>	<hr/>
	<b>8,000</b>	<b>8,000</b>

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.



## Notes to the financial statements

### 9(a) Cash and cash equivalents

	2018	2017
Current deposits with Cash Management Trust	233,496	287,592
	<u>233,496</u>	<u>287,592</u>

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

	2018	2017
Profit / (Loss) from operating activities	1,751,698	848,690
<b>Adjustments for:</b>		
Net unrealised (gain)/loss on equity investments	(1,218,089)	(680,797)
Net realised loss / (gain) on investments	(406,272)	(83,328)
Withholding tax on foreign investment	(3,234)	-
Net change in receivables and other assets	17	(106)
Net change in payables and other liabilities	(570)	605
	<u>123,550</u>	<u>85,064</u>
Cash flows from operating activities	123,550	85,064

### 10 Distributions paid and payable

	30 June 2018		30 June 2017	
	\$	Cents per unit	\$	Cents per unit
Interim Distribution paid December	77,353	2.8620	56,089	2.1121
Final Distribution payable June	456,256	18.4235	111,804	4.1919
	<u>533,609</u>	<u>21.2855</u>	<u>167,893</u>	<u>6.3040</u>

### 11 Payables

	2018	2017
Accounts payable	10,539	11,109
	<u>10,539</u>	<u>11,109</u>

## Notes to the financial statements

### 12 Valuation of financial instruments

The scheme's accounting policy on fair value measurements is discussed in note 3 (a) (iv)

The scheme measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant observable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted prices. For all other financial instruments, the scheme determines fair values using valuation techniques.

#### 30 June 2018

	Level 1	Level 2	Level 3	Total
Listed equities	8,310,510	-	-	8,310,510
	<b>8,310,510</b>	-	-	<b>8,310,510</b>

#### 30 June 2017

	Level 1	Level 2	Level 3	Total
Listed equities	7,359,848	-	-	7,359,848
	<b>6,636,884</b>	-	-	<b>6,636,884</b>

### 13 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, and the scheme's management of capital.

## Notes to the financial statements

### Risk management framework

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 2018, the Scheme held 29 investments. The largest investment comprised 11.9% of the Scheme total value, the largest 10 investments accounted for 68.2% of the Scheme total value and the largest 20 investments accounted for 90.0% of the Scheme total value. Cash comprised 2.7% 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

### 13 Financial instruments (continued)

This may result in a concentration of exposure to one or more industries. As at June 30, 2018, the Scheme had investments Retailing, with the largest contributor in that Group being Nick Scali with 5.2% of the portfolio. The exposure to each industry is detailed below.

GICS Industry Group	% of Portfolio
Retailing	14.6%
Automobiles & Components	13.9%
Diversified Financials	12.4%
Capital Goods	11.9%
Software & Services	11.7%
Commercial & Professional Services	9.9%
Health Care Equipment & Services	7.0%
Insurance	6.1%
Consumer Services	4.2%
Materials	2.2%
Technology Hardware & Equipment	2.0%
Energy	0.7%
Consumer Durables & Apparel	0.7%
Total	97.3%

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, 2018 97.3% of the Schemes assets are invested in ASX listed securities and 2.7% deposited in the JBWere Cash Trust. MLC Investments Limited is the Trustee of the JBWere Cash Trust.

## Notes to the financial statements

### 13 Financial instruments (continued)

#### Sensitivity analysis – Price risk

All of the Scheme's investments are listed on the Australian Securities Exchange. A 10 per cent increase in the ASX/S&P300 (assuming the Scheme's assets moved in line with the ASX/S&P300) at the reporting date would have increased net assets attributable to unitholders and increased the profit from operating activities by \$831,051 (2017: an increase of \$735,985); an equal change in the opposite direction would have decreased the net assets attributable to unitholders by an equal but opposite amount. It should be noted that due to the Scheme portfolio having a very different composition of the portfolio than the ASX/S&P300, it is unlikely that a percentage change in the value of the ASX/S&P300 would be accompanied by an equivalent percentage change in the value of the Scheme portfolio. This is illustrated in the Table below which compares the Scheme return with the ASX/S&P300 return during each of the last ten financial years.

Financial Year	Scheme Return	ASX/S&P300 Return	Difference
2007	45.0%	29.2%	15.8%
2008	-27.6%	-13.7%	-13.9%
2009	-14.1%	-20.3%	6.2%
2010	24.5%	13.1%	11.4%
2011	17.8%	11.9%	5.9%
2012	2.9%	-7.0%	9.9%
2013	23.7%	21.9%	1.8%
2014	5.6%	17.3%	-11.7%
2015	2.6%	5.6%	-3.0%
2016	4.8%	0.9%	3.9%
2017	12.5%	13.8%	-1.3%
2018	23.2%	13.2%	10.0%

#### Foreign Exchange risk

There was no significant direct foreign exchange risk in this Scheme as at 30 June 2018 (2017: Nil).

#### Interest Rate risk

The majority of the Scheme financial assets are non-interest bearing. There was no significant direct interest rate risk in this Scheme as at 30 June 2018 (2017: Nil).

#### Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

At 30 June 2018, the following financial assets were exposed to credit risk: balances due from brokers and other receivables; Cash and cash equivalents. Total carrying amount of financial assets exposed to credit risk amounted to \$233,496 (2017: \$287,593).

Credit risk on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. All the cash held by the Scheme is held by Goldman Sachs Cash Trust.

## Notes to the financial statements

### 13 Financial instruments (continued)

#### Liquidity Risk

Liquidity risk is the risk the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation. 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.

2018	Contractual cash flows	Less than 1 month	1-3 months	3 months to a year	On call
<b>Financial Liabilities</b>					
Accounts payable	10,539	10,539			
Other payables - Distribution	454,434	454,434			
Net assets attributable to unitholders	8,081,637	8,081,637			
	<b>8,546,610</b>	<b>8,546,610</b>	-	-	-
<b>2017</b>	<b>Contractual cash flows</b>	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3 months to a year</b>	<b>On call</b>
<b>Financial Liabilities</b>					
Accounts payable	11,109	11,109			
Other payables - Distribution	111,804	111,804			
Net assets attributable to unitholders	7,527,148	7,527,148			
	<b>7,650,061</b>	<b>7,650,061</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 2018, the carrying amounts of equity investments for which fair values were determined directly by reference to published price quotations amounted to \$8,310,510 (2017: \$7,359,848).

## Notes to the financial statements

### 14 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 \$117,514 (2017: \$123,696) and at balance date an amount of \$10,539 (2017: \$11,109) 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 \$nil (2017: \$21,271). 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

### 14 Related parties (continued)

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

At 30 June 2018 the following units in the Scheme were held by related parties and key management personnel.

30 June 2018 Ganes Focused Value Fund	Units Held	Net fair value \$	Interest held %	Units purchased	Units sold	Distribution received / receivable \$
Ganes Capital Management Ltd	29,586	101,643	1.2	4,220	-	6,270
Clive Gaunt	60,545	208,002	2.4	1,629	-	12,793
Wayne Jones	150,587	517,342	6.1	7,088	-	31,785
	<b>240,718</b>	<b>826,987</b>	<b>9.7</b>	<b>19,035</b>	<b>-</b>	<b>50,848</b>

30 June 2017 Ganes Focused Value Fund	Units Held	Net fair value \$	Interest held %	Units purchased	Units sold	Distribution received / receivable \$
Ganes Capital Management Ltd	25,366	72,396	1.0	5,291	-	1,543
Clive Gaunt	58,916	168,152	2.2	1,838	-	3,705
Wayne Jones	143,499	409,559	5.4	6,057	-	9,008
	<b>227,781</b>	<b>650,107</b>	<b>8.5</b>	<b>13,186</b>	<b>-</b>	<b>14,256</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.

### 15 Contingencies

There are no contingent liabilities or contingent assets as at 30 June 2018 and 30 June 2017.

### 16 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 in future financial years.



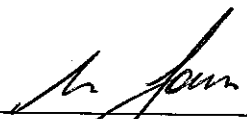
# Ganes Focused Value Fund Managed Investment Scheme

## 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 6 to 23, 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 2018 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:



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Wayne Cameron Jones  
Director

Dated at Brisbane this 14th day of September 2018

## INDEPENDENT AUDITOR'S REPORT

To the Members of Ganes Focused Value Fund

*Report on the Audit of the Financial Report*

### *Opinion*

We have audited the financial report of Ganes Focused Value Fund, which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statement, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the financial report of Ganes Focused Value Fund has been prepared 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 2018 and of its performance for the year ended on that 30 June 2018; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of the audit report.

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

### *Responsibilities of Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view 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 for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

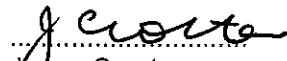
#### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting, from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Company.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and based, on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

  
.....  
Jason Croston  
SRJ Walker Wayland  
Director

Date: 14 September 2018

Address: Unit 3, 27 South Pine Road, BRENDAL QLD 4500