

**Appendix 4E  
Final Report  
For the year ended 30 June 2018  
Date: 23 August 2018**

**Results for announcement to the market**

Financial Results	Jun-18 \$	Jun-17 \$	Change %
Revenue from Ordinary Activities	7,520,070	14,252,785	(47.2%)
Profit from ordinary activities after tax attributable to members	4,445,627	9,444,933	(52.9%)
Profit for the year attributable to members	4,445,627	9,444,933	(52.9%)

Net Tangible Asset ("NTA") Backing Per Share	30-Jun-18 \$	30-Jun-17 \$	Change %
NTA before tax accruals + franking credits	1.2580	1.2195	3.2%
NTA before tax accruals + franking credits (2018 adding the October 2017 final dividend of 2.5 cents per share and April 2018 dividend of 2.5 cents per share)	1.3270	1.2195	8.8%
NTA after tax	1.1818	1.1528	2.5%
NTA after tax (2018 adding the October 2017 final dividend of 2.5 cents per share and April 2018 dividend of 2.5 cents per share)	1.2318	1.1528	6.9%

**Dividends**

On 23 August 2018, the Directors declared a fully franked final dividend of 2.0 cents per share (June 2017: 2.5 cents per share) which will be paid on 4 October 2018. The Ex-Dividend date is 12 September 2018 and the Record Date is 13 September 2018.

The amount of the proposed fully franked final dividend, which is not recognised as a liability as at 30 June 2018, is \$1,126,278 (June 2017: \$1,396,548).

The Dividend Reinvestment Plan will operate in conjunction with this dividend. The last date for receipt of an election notice in respect of this dividend is 14 September 2018. No discount is offered on the Dividend Reinvestment Plan in respect of this dividend.

**Details of any dividend or distribution reinvestment plans in operation:**

On 18 August 2016, the Company introduced a Dividend Reinvestment Plan ("Plan"). The Plan allows eligible shareholders to re-invest their future dividends (as may be declared from time to time) into the Company's shares.

Participation in the Plan is voluntary. If shareholders elect to participate in the Plan now, they may vary or cancel their participation in the future in accordance with the terms and conditions of the Plan.

Eligible shareholders are shareholders with a registered address in Australia. The Company does not currently intend to extend the Plan to shareholders outside of Australia, given the potential complexity and additional costs involved.

The Dividend Reinvestment Plan application form must be received by the share registry no later than the next business day after the Record Date for that dividend (or a later date approved by the Company).

Details of the Plan can be found on the Company's website as follows:

<http://www.pmcapital.com.au/paf/compliance>

**Entities over which control has been lost during the period:**

None.

**Details of associates and joint venture entities**

None.

To find out more about PM Capital Asian Opportunities Fund Limited, please visit the Company's website:

<http://www.pmcapital.com.au/listed-investment-company/paf>



PM Capital

ASIAN OPPORTUNITIES FUND LIMITED



# Annual Report

For the year ended 30 June 2018

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PM Capital Asian Opportunities Fund Limited

ACN 168 666 171

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## CHAIRMAN'S REPORT

It is a pleasure to present the 2018 Annual Report of PM Capital Asian Opportunities Fund Limited ("the Company").

Investment performance delivered by PM Capital Limited ("the Investment Manager") over the year ended 30 June 2018 was 9.3%<sup>1</sup>. Further, the investment performance of the Company's portfolio between 30 June 2018 and the date of the IPO has generated a total return of 46.8% compared to the S&P/ASX 200 Accumulation Index of 35.3%. In this regard, I'm pleased to say that we got the call correct, in that at the time of the IPO we said:

*"we believe that the outlook for equity returns in the Asian Region (ex-Japan) in Australian dollar terms is attractive, especially relative to other investment opportunities available to Australian investors."*

### Financial Results

For the year ended 30 June 2018, the Company reported an operating profit before tax of \$6.1 million and total comprehensive income after tax of \$4.4 million.

At times during the year the Company's shares traded at a premium to its pre-tax plus franking credits NTA. We credit this to the Board working closely with the Investment Manager on initiatives including:

- Regular shareholder, broker and advisor updates (using a range of communications models), marketing the opportunity represented by this LIC trading at a discount;
- Events such as the national road show in February 2018, paid for by the Investment Manager, to highlight the Investment Manager's process for identifying and generating long-term returns from investment anomalies; and
- Evaluation of other corporate activities which could close the gap but remain in the long-term interests of the Company.

We are very aware that more recently a share price discount to its NTA has re-emerged. At the time of writing the discount to pre-tax plus franking credits NTA per share is 6.9%<sup>2</sup>. We will continue working on the initiatives outlined above with the objective of again closing the gap to NTA.

### Dividends

During the year the Company paid 2 dividends, totalling 5.0 cents fully franked - a final June 2017 dividend of 2.5 cents per share fully franked (amounting to \$1,396,548, paid on 5 October 2017) and an interim 2018 dividend of 2.5 cents per share fully franked (amounting to \$1,406,218 paid on 5 April 2018).

The Company is pleased to announce a final fully franked dividend for the period to June 2018 of 2.0 cents per share (amounting to \$1,126,278). The timing of the dividend is as follows:

The last date to be eligible for this dividend	11 September 2018
Ex-Dividend Date	12 September 2018
Record Date	13 September 2018
Last date for receipt of Dividend Reinvestment Plan Election notices	14 September 2018
Payment Date	4 October 2018

Subject to financial conditions, future prospects and other factors, on a forward-looking basis, it is the current intention of the Board to pay semi-annual dividends.

<sup>1</sup> Before tax, after all fees and expenses, adjusted for capital flows associated with the payment of dividends, share issuance as a result of the dividend reinvestment plan, and including the value of franking credits.

If capital flows are ignored and one simply adds to the 30 June 2018 NTA the dividends paid, the increase over the 30 June 2017 NTA before tax accruals + franking credits is 8.8%.

<sup>2</sup> \$1.175 closing share price as at 10 August 2018, \$1.2565 NTA before tax accruals + franking credits as at 10 August 2018

### Investment Philosophy and Process

The Company aims to create long term wealth through a concentrated portfolio of typically 15 – 35 Asian centric companies that the Investment Manager believes are trading at a price different to the portfolio manager's judgement of intrinsic value.

The objective of the Company is to provide long term capital growth and outperform the Index over rolling seven-year periods.

I am aware of many funds, both listed and unlisted, that use a passive strategy to track the Index. This is a risky strategy – particularly in markets as volatile as Asia. Put simply, in a major correction the value of these funds will fall, following the index. As these funds are passive only, there are no sensible strategies able to identify (or act on) the overpriced stocks – or the value that will emerge within the markets.

I would like to acknowledge Mr Kevin Bertoli, together with the Investment Manager's team for their hard work and commitment during the year.

Finally, thank you our Shareholders, for your on-going support of the company.

My fellow Directors and I are looking forward to seeing those of you who are able to join us for the Annual General Meeting on 8 November 2018.



Brett Spork  
Chairman  
23 August 2018

## PORTFOLIO MANAGER'S REPORT

Dear Fellow Shareholders,

While the underlying return of the Company over the year was 9.3<sup>1</sup>%, the Financial Year return profile was one of two distinctively contrasting halves, the first six months (in which the Company's underlying return was 10.9%) saw a continuation of the increasingly optimistic sentiment witnessed in Financial Year 2016/2017. Recall in the year to 30 June 2017, the Company's underlying results advance 23.8%). Encouraging signs coming out of China, in large part due to government led efforts to stimulate the economy, led investors to become more positive with respect to the economic outlook for the region's primary growth engine. Closely watched economic indicators such as monthly credit growth, Purchasing Managers Index (PMI) and Producer Price Index (PPI) were all trending positive and the Renminbi, the flash point for both bulls and bears, rallied to within 5% of its decade highs. Government policy announcements in the lead up to China's twice-a-decade National Congress also added to the positive top down message. Notable was the government's reform agenda, specifically elements addressing the overcapacity in its commodity industries as well as the management structure and incentive system within state owned entities ("SOE's"), which drove many investors to increasingly focus on the upside potential 'what if' outcomes.

While growth expectations for the underlying economies across Asia remained healthy, regional equity markets peaked early in the new year as investors digested the meaningful uplift seen in equity valuations since the market lows of early 2016. Sentiment only started to shift meaningfully in early March when trade became the central topic driving markets. Subsequently, Asian markets have experienced some of their sharpest declines since the start of 2016 as net capital outflows returned to the region. US-China trade tensions have acted as the primary headwind as investors contemplated the economic impact if negotiations are unable to be resolved amicably. Not surprisingly the hardest hit market has been China's Shanghai Composite which has declined 21% from its January highs, while countries dominated by industries linked to global trade have also been sold off substantially such as Korea (KOSPI index) and Vietnam (Ho Chi Minh Stock Index), which are down 11% and 21% respectively.

At the portfolio level strong performance from the Company's gaming holdings (Nagacorp +74%, Wynn Macau +51% and Las Vegas Sands +24%), online classifieds and ecommerce holdings (51Jobs +52%, Baidu +36%) and Malaysian brewery holdings (Carlsberg Malaysia +29% and Heineken Malaysia +18%) helped drive the positive return for the Financial Year.

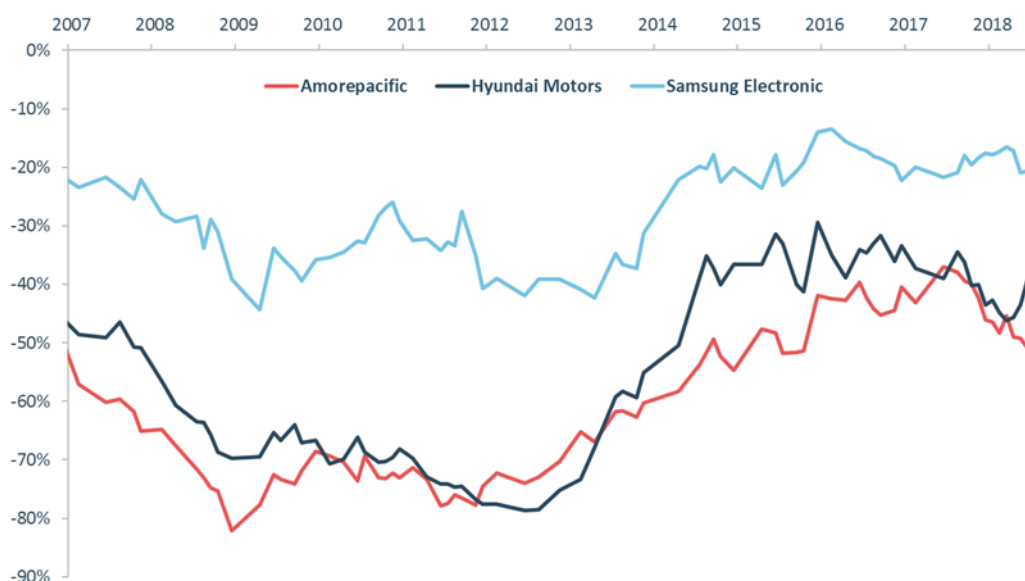
At the beginning of the Financial Year 'online classifieds and ecommerce' and gaming were the Company's two largest investment themes, accounting for a combined 43% of the investable capital. Due in large part by the strong performances highlighted above exposure to these themes was reduced materially over the year, with the exposure falling to 26% as at 30 June 2018. In total five core portfolio holdings were exited – Autohome, 51Jobs, Zhaopin (M&A activity), Wynn Macau and Las Vegas Sands. Over the year, consensus earnings expectations for these businesses became more reflective of our own assumptions and valuations also rerated to a level we deem to be fair, in large part removing the anomalies we identified on initial investment.

One area of meaningful new investment over the year has been Korean preferred shares, which accounted for 10% of the investable capital at 30 June 2018, across three names, Amorepacific, Samsung Electronics and Hyundai Motors. The category of Korean preferred shares we are focusing on are more akin to non-voting common stock than they are to what most investors would associate with the traditional preferred share structure. Outside of the lack of voting rights there are limited differences to the underlying common shares i.e. they do not have seniority in the capital structure or a predetermined dividend and are perpetual in nature rather than having a known maturity date. The 'preferred' label comes from the pledge to pay an equal if not higher dividend than that paid to the underlying common stock. Preferred shares have been issued by over 100 companies in Korea but only account for between 5-10% of the total share capital on average. Given their lack of voting rights, smaller size and liquidity over the years preferred shares have become the forgotten part of the capital structure in Korea. This has led to most preferred shares trading at substantial discounts to voting common stock (refer to the chart on the following page).

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<sup>1</sup> Before tax, after all fees and expenses, adjusted for capital flows associated with the payment of dividends, share issuance as a result of the dividend reinvestment plan, and including the value of franking credits.

If capital flows are ignored and one simply adds to the 30 June 2018 NTA the dividends paid, the increase over the 30 June 2017 NTA before tax accruals + franking credits is 9.0%.



Source: Bloomberg

We consider the preferred share discounts to be a meaningful structural anomaly which we anticipate will gradually close over time due to a specific set of reasons which are gradually coming to the fore. Firstly, Korean corporates are under increasing pressure to improve corporate governance. Pressure is coming from multiple fronts: the government is attempting to improve corporate governance practices through reforming the existing Chaebol structure, foreign shareholders are becoming increasingly active (note recent corporate activism at both the Samsung and Hyundai groups) and Korea's National Pension Service has recently become an adherent to the country's Stewardship Code which puts measurable targets on corporate governance. Add to this the increased recognition of the preferred share discounts by the corporates themselves and as consequence the investment community. We are not buying at the discount in isolation given the obvious risk that the discount narrows over time but common stock prices fall. Rather we have screened the preferred shares universe narrowing it down to a handful of companies where we are comfortable owning the common stock.

*"Over the years many shareholders have expressed a view that buying back and cancelling preferred shares, which are traded at a discount to common shares, is more efficient use of capital as we can buy and cancel more number of shares with the same amount of money, thus increasing the effectiveness of any future capital return to the remaining shareholders. The Company shares the same view. Therefore, we plan to increase the portion of preferred shares for repurchase and cancellation under this buyback program as long as the price discount to common share is greater than 10%."*

Samsung Electronics management, Q3-2015 earnings conference call Oct 29, 2015

The factors impacting markets in the first six months of this year are likely to remain throughout 2018. These will act as near-term headwinds for regional markets as investors try to gauge the flow-on effects to economic activity.

Trade, and more accurately fair trade, is not a new topic, however investor reactions this time have been far more pronounced. There are several reasons for this, the most obvious being that negotiations involve the world's two largest economies, but also because trade issues between the two countries have long been glossed over, causing significant imbalances which need to be addressed. Overlay this with the fact that negotiations are seemingly being played out as much on Twitter, or in front of the camera, as they are at the negotiating table has investors on edge. Market participants are not used to the level of hyperbole President Trump brings to the table and this heightened rhetoric inevitably changes how we view the topic. The strong performance of markets over the last several years and high market valuations also means the margin for error is small.

Predicting the internal machinations of trade negotiations is the most difficult aspect of the current market and the reality is that in the short term it is virtually impossible. From a portfolio perspective, decisions based solely on predicting the outcome of such events are similarly likely to result in error.

The impact of rising US interest rates and a strengthening US Dollar is also starting to be an important consideration, particularly on some peripheral Asian markets. A strong US Dollar, and rising interest rates and commodities; have put pressure on many emerging market economies. This phenomenon is not just being felt in Asia, with Argentina, Turkey and Brazil also in the spotlight in recent months.

Throughout the course of the year readers of my quarterly commentary will have noticed the consistent message around redeploying capital from realised investments. I have been vocal over the past twelve months in calling out the dramatic shift in earnings expectations and markedly higher valuations which has made it more difficult to uncover genuine anomalies. The recent correction in markets is giving us a chance to put capital back to work.

One market event covered extensively in the media recently has been Chinese equities granted an increased weighting in MSCI's global indices. The announcement served to highlight how underweight global investors are when it comes to not only China but Asia more broadly. Approximately 350 new stocks were added to the global MSCI index, over 300 of those additions were Chinese companies (a-shares, US listed ADRs and Hong Kong h-shares). It is rare to see significant changes to indices like this which suggests gatekeepers like MSCI have the mix wrong and are scrambling to catch up. Investors remain under-allocated to the main source of global GDP growth – after the recent changes China still accounts for only 3.7% of the MSCI All Countries World Index compared to the US at 53%.

Our approach to Asia remains very much a long-term one. We continue to believe that Asia will remain the epicentre for global growth into the foreseeable future, as it has been for the better part of the last two decades. While growth in the US and Europe has been largely a function of a recovery from severe cyclical corrections, Asia provides consistent structural growth underpinning GDP and most of the growth drivers will remain regardless of current debates.



Kevin Bertoli  
Portfolio Manager of PM Capital Asian Opportunities Fund Limited  
23 August 2018

## LIST OF INVESTMENTS HELD AS AT 30 JUNE 2018

Investment	Market Value \$
<b><u>Equity Securities</u></b>	
Turquoise Hill Resources Ltd	4,985,423
Icar Asia Limited	4,093,478
Baidu.com Sponsored ADR	3,907,207
Sinopec Kantons Holdings Ltd	3,757,165
MGM China Holdings Ltd	3,077,285
Dali Foods Group Co Ltd	3,061,212
Carlsberg Brewery Malaysia Bhd	3,045,751
Amorepacific Corp	2,911,962
Kunlun Energy Co Ltd	2,820,718
Heineken Malaysia Bhd	2,675,817
DBS Group Holdings Ltd	2,443,291
China Yuchai International Ltd	2,254,909
Industrial and Commercial Bank of China Ltd	2,106,335
HSBC Holdings PLC	2,066,094
Samsung Electronics Co Ltd	2,023,215
Singapore Exchange Ltd	1,992,809
KB Financial Group Inc	1,971,709
Wynn Resorts Limited	1,925,141
Nagacorp Limited	1,808,216
Shinhan Financial Group Co Ltd	1,783,641
Hite Jinro Co Ltd	1,773,026
Hyundai Motor Co Ltd	1,695,077
Astro Malaysia Holdings Bhd	1,606,470
Lafarge Malaysia Bhd	1,215,245
Donaco International Ltd	1,035,138
Champion REIT	(674,101)
<b><u>Cash &amp; Other Securities</u></b>	
Total cash assets (per note 3 to the financial statements)	9,474,654
Options	405,396
Currency forward contracts	111,807
Total interest bearing liabilities (per note 3 to the financial statements)	(2,877,691)
	<b>68,476,398</b>

## CORPORATE GOVERNANCE

The Company's corporate governance statement can be found on our website at the following location:  
<http://www.pmcapital.com.au/paf/compliance>



## DIRECTORS' REPORT

The directors submit the financial report of PM Capital Asian Opportunities Fund Limited ("the Company") for the year ended 30 June 2018.

### Directors' Experience and Other Directorships

The following persons were directors of the Company during the whole of the financial year, and up to the date of this report (unless otherwise stated):

**Brett Spork** B.Bus

*Chairman and Non-executive Director*

*Chairman of the Nomination and Corporate Governance Committee*

*Member of the Audit Committee*

Mr Spork has over 25 years' experience in the financial markets industry as a trader, advisor and senior manager, both within Australia and overseas. He currently provides consulting services to a broad range of financial institutions. Such consulting services comprise the provision of commercial, business development and regulatory advice. Previously, Mr Spork was the Chief Executive Officer of InvestorFirst Limited and BTIG Australia Limited.

During the period 2002 to 2006, Mr Spork was the Chief Executive Officer of E\*Trade Australia Limited. Before joining E\*Trade Australia Limited, he worked at Macquarie Bank for 14 years, the latter part as an Executive Director of Macquarie Financial Services. Mr Spork also serves as director of Clime Capital Limited, Non-executive Director of PM Capital GO 2025 Limited, Non-Executive Chairman of Primarymarkets.com, and as Non-executive Director of PM Capital Global Opportunities Fund Limited.

Mr Spork holds a Bachelor of Business from the Queensland University of Technology. In 2004, he was recognised by the Australian Stockbrokers Foundation and admitted to its "Hall of Fame".

**Andrew McGill** B.Comm, LLB, Grad Dip AppFin

*Non-executive Director*

*Chairman of the Audit Committee*

*Member of the Nomination and Corporate Governance Committee*

Mr McGill has more than 28 years' financial markets experience, including investment and management experience within the alternative asset sector and the funds management industry generally. He previously served as Managing Director and Chief Executive Officer of Pacific Current Group and in this capacity served on the board of a number of affiliated companies. Prior to joining Pacific Current Group, Mr McGill was a founding partner of Crescent Capital Partners, an independent mid-market private equity firm where he worked from 2000 to 2010. Earlier in his career, Mr McGill held senior roles within Macquarie Bank's Corporate Finance and Direct Investment teams. He was also a consultant with The LEK Partnership, an international firm of business strategy consultants.

Mr McGill also serves as Chairman and Non-executive Director of PM Capital Global Opportunities Fund Limited and PM Capital GO 2025 Limited, as Non-executive Director of Countplus Limited, and as a member of the Council of Kambala Girls School.

Mr McGill holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales and a Graduate Diploma in Applied Finance (FinSIA).

## **DIRECTORS' REPORT (CONTINUED)**

### **Directors' experience and Other Directorships (continued)**

**Ben Skilbeck** B.Eng (Hons), B.Comm

*Executive Director*

*Member of the Audit Committee*

*Member of the Nomination and Corporate Governance Committee*

Mr Skilbeck has over 22 years' experience in financial markets. He joined the Investment Manager of the Company in February 2015 as the Chief Executive Officer ("CEO") and is responsible for implementing and contributing to the determination of the operational and strategic objectives of the Investment Manager's business. Mr Skilbeck has an Investment Banking background, having worked in both Australia and the US with Merrill Lynch and Credit Suisse, where he focused on mergers and acquisitions and corporate finance advisory.

Before joining the Investment Manager he was most recently the CEO of Rismark, a provider of quantitative research solutions and synthetic equity exposures over the Australian residential property sector.

Mr Skilbeck is also a director of PM Capital Limited, PM Capital Global Opportunities Fund Limited, and PM Capital GO 2025 Limited.

Mr Skilbeck attended the University of Melbourne and holds a Bachelor of Engineering (with Honours) and a Bachelor of Commerce.

**Richard Matthews** B.Sc. B.A. B.Ec. Grad Dip AppFin (Corporate Finance) MPA

*Company Secretary*

*Alternate Director for Ben Skilbeck*

Mr Matthews is PM Capital Limited's Chief Operating Officer and Head of Compliance. He has over 18 years' experience in investment banking and funds management including as a Director and Chief Operating Officer of Aurora Funds Management, and a senior manager of equity capital markets at Challenger Financial Services. His overall experience includes funds management administration, establishing and administering listed/traded and unlisted investment schemes, managing equity capital market issues and/or equity swaps, and other specialised corporate structured products.

Mr Matthews is also the Alternate Director for Mr Ben Skilbeck and Company Secretary, for PM Capital Global Opportunities Fund Limited and PM Capital GO 2025 Limited, and also Company Secretary of PM Capital Limited, the Investment Manager of the Company.

Mr Matthews holds the degrees of Bachelor of Science, Bachelor of Arts, and Bachelor of Economics, as well as a Graduate Diploma in Applied Finance (Corporate Finance) and a Masters of Professional Accounting.

## DIRECTORS' REPORT (CONTINUED)

### Attendance at Meetings

#### Board of Directors Meetings

Director	Meetings Held and Entitled to Attend*	Meetings Attended*
Brett Spork	4	4
Andrew McGill	4	4
Ben Skilbeck	4	4

\* In addition, 5 circular resolutions were made.

#### Nomination and Corporate Governance Committee Meetings

Director	Meetings Held and Entitled to Attend	Meetings Attended
Brett Spork	3	3
Andrew McGill	3	3
Ben Skilbeck	3	2
Richard Matthews	1	1

#### Audit Committee Meetings

Director	Meetings Held and Entitled to Attend	Meetings Attended
Brett Spork	4	4
Andrew McGill	4	4
Ben Skilbeck	4	4

### Directors' Interests in Shares and Options

The relevant interests of the Directors and their related entities in the securities of the Company as at 30 June 2018 were as follows:

Director	Number of Shares	Number of Options
Brett Spork	52,630	-
Andrew McGill	100,000	-
Ben Skilbeck	10,000	-
Richard Matthews	3,000	-

The relevant interests of the Directors and their related entities in the securities of the Company as at 30 June 2017 were as follows:

Director	Number of Shares	Number of Options
Brett Spork	52,630	-
Andrew McGill	100,000	-
Ben Skilbeck	10,000	-
Richard Matthews	3,000	-

## DIRECTORS' REPORT (CONTINUED)

### Principal Activities of the Company

The Company is a listed investment company established to invest predominantly in a concentrated portfolio of listed securities from Asian equity markets (ex-Japan) or companies whose business is predominantly conducted in this region, with the objective of providing long-term capital growth.

### Review of Operations

The performance of the Company, as represented by the results of its operations, was as follows:

	2018 \$	2017 \$
Profit before income tax	6,074,847	13,190,324
Income tax expense	(1,629,220)	(3,745,391)
Profit for the year attributable to shareholders	4,445,627	9,444,933

Please refer to the Statement of Profit or Loss and Other Comprehensive Income for further details.

The invested position of the Company is recognised on the Balance Sheet as follows:

	2018 %	2017 %
Financial assets at fair value through profit or loss	90.37%	88.00%
Cash and cash equivalent assets and interest bearing liabilities	9.63%	12.00%
Financial liabilities at fair value through profit or loss	0.00%	0.00%

### Dividends

On 23 August 2018, the Directors declared a fully franked final dividend of 2.0 cents per share (June 2017: 2.5 cents per share) which will be paid on 4 October 2018. The Ex-Dividend date is 12 September 2018 and the Record Date is 13 September 2018.

The amount of the proposed fully franked dividend, which is not recognised as a liability as at 30 June 2018, is \$1,126,278 (June 2017: \$1,396,548).

The Dividend Reinvestment Plan ("DRP") will operate in conjunction with this dividend. The last date for receipt of an election notice in respect of this dividend is 14 September 2018. No discount is offered on the Dividend Reinvestment Plan in respect of this dividend.

Details of the Plan can be found on the Company's website: <http://www.pmcapital.com.au/paf/compliance>

A fully franked interim dividend of 2.5 cents per ordinary share, amounting to \$1,406,218, was paid on 5 April 2018.

### Net Assets

As at 30 June 2018 the net assets of the Company were \$66,550,828 (2017: \$64,398,664). Please refer to the Statement of Financial Position for further details.

## **DIRECTORS' REPORT (CONTINUED)**

### **State of Affairs**

During the financial year there were no significant changes in the state of affairs of the Company.

### **Events Subsequent to Balance Date**

No matter or circumstance has arisen since the end of the financial year that has significantly affected or may significantly affect the operations of the Company, the result of those operations or the state of affairs of the Company in subsequent financial years.

### **Likely Developments**

The Company will be managed in accordance with the Constitution and investment objectives as detailed in the Prospectus dated 7 April 2014.

### **Indemnification of Officers**

The Company has indemnified directors and officers for any actions that may arise as a result of acting in their capacity as directors and officers of the Company in respect of:

- a) Liability to third parties when acting in good faith; and
- b) Costs and expenses of defending legal proceedings and ancillary matters.

The terms of the policy preclude disclosure of the premium.

### **Environmental Regulations**

The Company's operations are not subject to any significant environmental regulations.

### **Remuneration Report**

This remuneration report sets out information about the remuneration of the Company's directors for the year ended 30 June 2018, under the requirements of Section 300A(1) of the *Corporations Act 2001*.

#### Key management personnel

The directors and other key management personnel of the Company during the whole of the period, and up to the date of this report, are:

Brett Spork – Chairman and Non-executive Director  
Andrew McGill – Non-executive Director  
Ben Skilbeck – Executive Director  
Richard Matthews – Alternate Director for Ben Skilbeck

#### Directors' Remuneration

The Company has a Nomination and Corporate Governance Committee which reviews and advises the Board on the composition of the Board and its committees.

## DIRECTORS' REPORT (CONTINUED)

### Remuneration Report (continued)

#### Directors' Remuneration (continued)

Directors' remuneration received or receivable for the year ended 30 June 2018 was:

Director	Directors' fees \$	Superannuation \$	Total \$
Brett Spork	31,963	3,037	35,000
Andrew McGill	27,397	2,603	30,000
Ben Skilbeck	-	-	-
Richard Matthews	-	-	-
	<u>59,360</u>	<u>5,640</u>	<u>65,000</u>

Directors' base fees are limited in the Constitution to a maximum of \$250,000 per annum.

Directors' remuneration received or receivable for the year ended 30 June 2017 was:

Director	Directors' fees \$	Superannuation \$	Total \$
Brett Spork	31,963	3,037	35,000
Andrew McGill (appointed 20 March 2017)	7,733	735	8,468
Todd Barlow (resigned 20 March 2017)	20,548	1,952	22,500
Andrew Reeve-Parker (resigned 21 October 2016)	8,396	797	9,193
Ben Skilbeck	-	-	-
Richard Matthews	-	-	-
	<u>68,640</u>	<u>6,521</u>	<u>75,161</u>

Ben Skilbeck is the Chief Executive Officer of the Investment Manager and Richard Matthews is the Chief Operating Officer and Head of Risk and Compliance, and Company Secretary of the Investment Manager. They are remunerated by the Investment Manager and are not entitled to a director's fee or any other form of remuneration from the Company.

### Proceedings on Behalf of the Company

There are no proceedings that the directors have brought, or intervened in, on behalf of the Company.

### Non-Audit Services

Details of amount paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 8(b) to the financial statements. The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

### Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under *Section 307C* of the *Corporations Act 2001* is set out on page 14.

Signed at Sydney this 23<sup>rd</sup> day of August 2018, in accordance with a resolution of the Board of Directors by:



**Brett Spork**  
**Chairman**



**PM CAPITAL ASIAN OPPORTUNITIES FUND LIMITED**

**ACN 168 666 171**

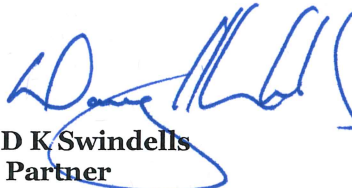
**AUDITOR'S INDEPENDENCE DECLARATION**

**To the Directors of PM Capital Asian Opportunities Fund Limited:**

As lead auditor for the audit of the financial report of PM Capital Asian Opportunities Fund Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

**Sydney, NSW  
23 August 2018**

  
**D K Swindells  
Partner**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2018**

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
Interest		65	296
Dividends		1,980,230	1,346,716
Gains on investments held at fair value through profit or loss		5,163,002	12,812,988
Gains on foreign exchange		58,380	92,785
Other income		8,313	-
<b>Total revenue</b>		<b>7,209,990</b>	<b>14,252,785</b>
<b>Expenses</b>			
Management fees	8 (a)	713,713	610,133
Finance costs		16,302	72,533
Audit fees	8 (b)	40,333	39,660
Directors' fees		65,000	75,161
ASX fees		54,951	51,874
Insurance		27,321	27,296
Legal and tax advice		17,323	5,689
Brokerage fees		89,623	70,882
Other operating expenses		110,577	109,233
<b>Total expenses</b>		<b>1,135,143</b>	<b>1,062,461</b>
<b>Profit for the year before income tax</b>		<b>6,074,847</b>	<b>13,190,324</b>
Income tax expense	6 (a)	(1,629,220)	(3,745,391)
<b>Profit after income tax</b>		<b>4,445,627</b>	<b>9,444,933</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income attributable to shareholders</b>		<b>4,445,627</b>	<b>9,444,933</b>
<b>Basic earnings per share</b>	9	<b>7.92 cents</b>	<b>17.02 cents</b>
<b>Diluted earnings per share</b>	9	<b>7.92 cents</b>	<b>17.02 cents</b>

*This Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements which follow.*

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

	Note	2018 \$	2017 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	9,474,654	9,914,165
Financial assets at fair value through profit or loss	2 (d)	61,879,435	58,372,836
Receivables	4	350,762	188,021
<b>Total current assets</b>		<b>71,704,851</b>	<b>68,475,022</b>
<b>Non-current assets</b>			
Deferred tax assets	6 (c)	80,496	75,459
<b>Total non-current assets</b>		<b>80,496</b>	<b>75,459</b>
<b>TOTAL ASSETS</b>		<b>71,785,347</b>	<b>68,550,481</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Interest bearing liabilities	3	2,877,691	2,227,452
Financial liabilities at fair value through profit or loss	2 (d)	-	22,218
Payables	5	209,167	187,257
Income tax payable		2,051,839	888,891
<b>Total current liabilities</b>		<b>5,138,697</b>	<b>3,325,818</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	6 (c)	95,822	825,999
<b>Total non-current liabilities</b>		<b>95,822</b>	<b>825,999</b>
<b>TOTAL LIABILITIES</b>		<b>5,234,519</b>	<b>4,151,817</b>
<b>NET ASSETS</b>		<b>66,550,828</b>	<b>64,398,664</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	54,689,576	54,180,273
Retained profits		11,861,252	10,218,391
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>66,550,828</b>	<b>64,398,664</b>

*This Statement of Financial Position should be read in conjunction with  
the Notes to the Financial Statements which follow.*

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2018**

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Interest received		65	296
Dividends received		1,818,336	1,285,931
Other income received		8,313	-
Interest paid		(17,729)	(72,441)
Income tax paid		(1,201,486)	(716,045)
Management fees paid		(699,494)	(591,075)
Other operating expenses		(393,871)	(389,199)
<b>Net cash (outflow) from operating activities</b>	<b>10</b>	<b>(485,866)</b>	<b>(482,533)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		25,144,483	25,160,658
Purchase of investments		(23,418,920)	(14,353,105)
<b>Net cash inflow from investing activities</b>		<b>1,725,563</b>	<b>10,807,553</b>
<b>Cash flows from financing activities</b>			
Dividend paid (net of Dividend Reinvestment Plan)		(2,293,463)	(1,797,578)
<b>Net cash (outflow) from financing activities</b>		<b>(2,293,463)</b>	<b>(1,797,578)</b>
Impact of exchange rate changes on cash and cash equivalents		<b>(35,984)</b>	<b>(133,854)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,089,750)</b>	<b>8,393,588</b>
Cash and cash equivalents at the beginning of the financial year		7,686,713	(706,875)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>3</b>	<b>6,596,963</b>	<b>7,686,713</b>

*This Statement of Cash Flows should be read in conjunction with  
the Notes to the Financial Statements which follow.*

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2018**

Note	Share Capital	Retained Profits	Total
	\$	\$	\$
<b>Balance at 1 July 2016</b>	<b>53,488,974</b>	<b>3,262,335</b>	<b>56,751,309</b>
Total comprehensive income for the year	-	9,444,933	9,444,933
<b>Subtotal</b>	<b>53,488,974</b>	<b>12,707,268</b>	<b>66,196,242</b>
<b>Transactions with owners in their capacity as owners</b>			
Dividends paid	-	(2,488,877)	(2,488,877)
Shares issued under the Company's dividend reinvestment plan	7	691,299	691,299
<b>Subtotal</b>	<b>691,299</b>	<b>(2,488,877)</b>	<b>(1,797,578)</b>
<b>Balance at 30 June 2017</b>	<b>54,180,273</b>	<b>10,218,391</b>	<b>64,398,664</b>
<b>Balance at 1 July 2017</b>	<b>54,180,273</b>	<b>10,218,391</b>	<b>64,398,664</b>
Total comprehensive income for the year	-	4,445,627	4,445,627
<b>Subtotal</b>	<b>54,180,273</b>	<b>14,664,018</b>	<b>68,844,291</b>
<b>Transactions with owners in their capacity as owners</b>			
Shares issued under the Company's dividend reinvestment plan	7	509,303	509,303
Dividends paid	-	(2,802,766)	(2,802,766)
<b>Subtotal</b>	<b>509,303</b>	<b>(2,802,766)</b>	<b>(2,293,463)</b>
<b>Balance at 30 June 2018</b>	<b>54,689,576</b>	<b>11,861,252</b>	<b>66,550,828</b>

*This Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements which follow.*

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 1. General information and summary of significant accounting policies

PM Capital Asian Opportunities Fund Limited ("the Company") is a listed investment company incorporated in Australia. The Company was registered on 20 March 2014. The registered office and principal place of business of the Company is Level 27, 420 George Street Sydney NSW 2000. The Company's principal activity is to invest predominantly in a concentrated portfolio of listed securities from Asian (ex-Japan) equity markets or companies whose business is predominantly conducted in this region, with the objective of providing long-term capital growth.

These general purpose financial statements are for the year ended 30 June 2018. The financial statements were authorised for issue by the directors on 23 August 2018.

A summary of the material accounting policies adopted by the Company in the preparation of the financial statements is set out below:

#### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. For the purposes of preparing financial statements, the Company is a for-profit entity.

#### (b) Statement of Compliance

The financial statements and notes thereto comply with Australian Accounting Standards as issued by the AASB and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

#### (c) Reporting Currency

All amounts are presented in Australian dollars as the functional and presentational currency of the Company.

#### (d) Going Concern Basis

The financial report has been prepared on a going concern basis.

#### (e) Investments

Investments held at fair value through profit or loss are initially recognised at fair value including any transaction costs related to their acquisition. Subsequent to initial recognition, all financial instruments held at fair value through profit or loss are accounted for at fair value, with changes to such values recognised in profit or loss. For further details on how the fair value of financial instruments is determined please see Note 2(d).

#### (f) Foreign currency translation

##### (i) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Company competes for funds and is regulated.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

### 1. General information and summary of significant accounting policies (continued)

#### (f) Foreign currency translation (continued)

##### (ii) Transactions and balances

Transactions during the year denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Overseas investments and currency, together with any accrued income, are translated at the exchange rate prevailing at the balance date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss. Net exchange gains and losses arising on the revaluation of investments are included in gains/(losses) on investments.

Hedging may be undertaken in order to minimise possible adverse financial effects of movements in exchange rates. Hedging gains or losses are included as part of gains/(losses) on foreign exchange.

#### (g) Investment income

##### (i) Interest income

Interest income is recognised in profit or loss for all financial instruments that are held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in gains/(losses) on financial instruments. Other changes in fair value of such instruments are recorded in accordance with the policies described in Note 1(e) to the financial statements.

##### (ii) Dividends

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded against dividend income. The Company incurs withholding tax imposed by certain countries on dividend income.

##### (iii) Net changes in fair value of investments

Changes in the fair value of investments are recognised in profit or loss.

#### (h) Income tax

For the year ended 30 June 2018 the company is subject to income tax at 27.5% on taxable income (2017: 27.5%). A capital gains tax concession may be available to investors where certain requirements are met.

The Company incurs withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in profit or loss.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on the corporate tax rate. The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)**

**1. General information and summary of significant accounting policies (continued)**

**(h) Income tax (continued)**

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(i) Goods and services tax (“GST”)**

The Company is registered for GST and under current regulations can claim up to 75% of the GST incurred depending on the nature of the expense. The un-claimable portion is written off as an expense.

**(j) Cash and cash equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within Interest bearing liabilities in the Statement of Financial Position.

**(k) Receivables**

Receivables may include amounts for dividends, interest and securities sold. Dividends are receivable when they have been declared and are legally payable. Interest is accrued at the balance date from the time of last payment. Amounts receivable for securities sold are recorded when a sale has occurred.

**(l) Payables**

These amounts represent liabilities for amounts owing by the Company at period end which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(m) Derivative financial instruments**

The Company may invest in financial derivatives. Derivative financial instruments are accounted for on the same basis as the underlying investment exposure. Gains and losses relating to financial derivatives are included in profit or loss as part of gains/(losses) on investments.

**(n) Share capital**

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

### 1. General information and summary of significant accounting policies (continued)

#### (o) Earnings per share

Undiluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares and potential ordinary shares (options) outstanding during the year.

#### (p) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management of the Company is required to make judgements, estimates and assumptions about the carrying amounts of some assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant, and reasonable under the circumstance. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The methods used in the valuation of investments are set out in Note 1(e) to these financial statements.

#### (q) New standards and interpretations not yet adopted

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

- AASB 9 *Financial Instruments* (and applicable amendments) (effective for financial periods beginning on or after 1 January 2018)

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The Standard is available for early adoption. The directors do not expect this Standard to have a significant impact on the recognition and measurement of the Company's financial instruments as they are carried at fair value through profit or loss and will remain so under the new Standard.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)**

**2. Financial risk management**

**(a) Objectives, strategies, policies and processes**

The Company's investment objective is to provide long-term capital growth over a seven-year plus investment horizon through investment in a concentrated portfolio of Asian equities and other investment securities, with a focus on the Asian Region (ex-Japan), which the Investment Manager considers to be mispriced. It is expected that the Company will have varied outcomes to that of a traditional index benchmarked investment vehicle. The Company is managed from an Australian investor's perspective with tax and currency exposures forming important considerations in the daily management of the Company, whilst complying with the Company's Prospectus dated 7 April 2014. Financial risk management is carried out by the Investment Manager under the guidance of its Chief Investment Officer.

The Company's activities are exposed to different types of financial risks. These risks include market risk (including foreign currency risk, and price risk) and credit risk. The Company may employ derivative financial instruments to hedge these risk exposures in order to minimise the effects of these risks. The use of derivatives is an essential part of proper portfolio management and is not managed in isolation. Consequently, the use of derivatives is multifaceted and may include:

- hedging to protect an asset of the Company against a fluctuation in market values or foreign exchange rates or to reduce volatility;
- as a substitute for physical securities;
- adjusting asset exposures within the parameters set in the investment strategy;
- adjusting the duration or the weighted average maturity of fixed interest portfolios.

The use of short selling and derivatives may indirectly leverage the Portfolio on a gross basis.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)**

**2. Financial risk management (continued)**

**(b) Market risk**

Market risk is the risk that the fair value of financial instruments will fluctuate. These fluctuations can be caused by market volatility, interest rate volatility, economic cycles, political events and levels of economic growth, both global and domestic. The Company is materially exposed to two different types of market risks, namely foreign currency risk and price risk. Market risk exposures are assessed and minimised through employing established investment strategies.

The Company has a focused portfolio and, due to the concentrated nature of the Company's investments, considerable short term volatility may be experienced. The Company may also short specific securities that, in the opinion of the Investment Manager, are overvalued. All of the portfolio positions are subject to research and peer group review and if appropriate opportunities cannot be found the Company will hold cash until new opportunities arise.

*(i) Foreign currency risk*

Foreign currency risk is the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Company holds assets denominated in currencies other than the Australian dollar (being the functional currency) and is therefore exposed to foreign currency risk when the value of assets denominated in other currencies fluctuates due to movements in exchange rates.

The Company may enter into foreign exchange forward contracts both to hedge the foreign exchange risk implicit in the value of portfolio securities denominated in foreign currency and to secure a particular exchange rate for a planned purchase or sale of securities.

The terms and conditions of these contracts rarely exceed one year and the level of hedging will depend on the Investment Manager's expectation of future currency exchange rate movements.

As the nature of these contracts is to hedge the international investment activities of the Company, they are accounted for by marking to market at balance date in a manner consistent with the valuation of the underlying securities. The currency position of the Company is monitored on an ongoing basis by the Investment Manager.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)**

**2. Financial risk management (continued)**

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

*(i) Foreign currency risk (continued)*

The Company's portfolio in different currencies at balance date is summarised below.

	Australian Dollars A\$	US Dollars A\$	Hong Kong Dollars A\$	Malaysian Ringgit A\$	Other Currencies A\$	Total A\$
<b>2018</b>						
<b>Assets</b>						
Cash and cash equivalents	4,237,715	2,267,068	718,298	213,359	2,038,214	9,474,654
Financial assets at fair value through profit or loss:						
Listed securities	5,128,615	13,072,679	18,022,924	8,543,283	16,594,731	61,362,232
Currency forward contracts	-	21,221,366	-	(8,848,918)	(12,260,641)	111,807
Options	405,396	-	-	-	-	405,396
Receivables	3,529	229,647	22,037	61,872	33,677	350,762
Deferred tax assets	80,496	-	-	-	-	80,496
<b>Total assets</b>	<b>9,855,751</b>	<b>36,790,760</b>	<b>18,763,259</b>	<b>(30,404)</b>	<b>6,405,981</b>	<b>71,785,347</b>
<b>Liabilities</b>						
Interest bearing liabilities	-	-	-	-	2,877,691	2,877,691
Payables	209,167	-	-	-	-	209,167
Income tax payable	2,051,839	-	-	-	-	2,051,839
Deferred tax liabilities	95,822	-	-	-	-	95,822
<b>Total liabilities</b>	<b>2,356,828</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,877,691</b>	<b>5,234,519</b>
<b>Net assets</b>	<b>7,498,923</b>	<b>36,790,760</b>	<b>18,763,259</b>	<b>(30,404)</b>	<b>3,528,290</b>	<b>66,550,828</b>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)**

**2. Financial risk management (continued)**

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

*(i) Foreign currency risk (continued)*

	Australian Dollars A\$	US Dollars A\$	Hong Kong Dollars A\$	Malaysian Ringgit A\$	Other Currencies A\$	Total A\$
<b>2017</b>						
<b>Assets</b>						
Cash and cash equivalents	-	6,588,189	3,325,727	-	249	9,914,165
Financial assets at fair value through profit or loss:						
Listed securities	7,011,375	18,909,436	18,588,941	7,911,435	5,711,673	58,132,860
Convertible notes	239,976	-	-	-	-	239,976
Receivables	2,886	90,083	70,941	24,111	-	188,021
Deferred tax assets	75,459	-	-	-	-	75,459
<b>Total assets</b>	<b>7,329,696</b>	<b>25,587,708</b>	<b>21,985,609</b>	<b>7,935,546</b>	<b>5,711,922</b>	<b>68,550,481</b>
<b>Liabilities</b>						
Interest bearing liabilities	547,512	-	-	178	1,679,762	2,227,452
Financial liabilities at fair value through profit or loss:						
Currency forward contracts	-	(11,146,778)	-	7,850,575	3,318,421	22,218
Payables	187,257	-	-	-	-	187,257
Income tax payable	888,891	-	-	-	-	888,891
Deferred tax liabilities	825,999	-	-	-	-	825,999
<b>Total liabilities</b>	<b>2,449,659</b>	<b>(11,146,778)</b>	<b>-</b>	<b>7,850,753</b>	<b>4,998,183</b>	<b>4,151,817</b>
<b>Net assets</b>	<b>4,880,037</b>	<b>36,734,486</b>	<b>21,985,609</b>	<b>84,793</b>	<b>713,739</b>	<b>64,398,664</b>

*Foreign currency sensitivity*

A sensitivity of 5% (2017: 5%) has been selected to account for the current level of exchange rate volatility observed in the market. As at reporting date, the Australian dollar to United States dollar (AUD/USD) exchange rate was 0.7389 (2017: 0.7671) and the Australian dollar to Hong Kong dollar (AUD/HKD) exchange rate was 5.7966 (2017: 5.9879). As the Hong Kong dollar is pegged to the US dollar, any movement in the US dollar is likely to result in a movement of a similar proportion in the Hong Kong dollar.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)**

**2. Financial risk management (continued)**

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

*(i) Foreign currency risk (continued)*

*Foreign currency sensitivity (continued)*

As at reporting date, had the Australian dollar weakened/(strengthened) by 5% against the US dollar with all other variables held constant, assuming that the Hong Kong dollar follows the US dollar, the change in net assets would be:

	Depreciation of AUD (5%)		Appreciation of AUD (5%)	
	Increase in Net Assets \$	Increase in Net Assets %	(Decrease) in Net Assets \$	(Decrease) in Net Assets %
30 June 2018	2,923,896	4.4%	(2,645,429)	(4.0%)
30 June 2017	3,090,531	4.8%	(2,796,195)	(4.3%)

*(ii) Price risk*

Price risk is the risk that the fair value of financial instruments will fluctuate, whether those changes are specifically related to an individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is primarily exposed to price risk for its investments in listed securities. The price risk of securities is dependent on the financial circumstances of the companies in which the securities are purchased, including their profits, earnings and cash flows. The return on a security's investment may also be affected by the quality of company management, the general health of the sector in which it operates and government policy.

In cases where financial instruments are denominated in currencies other than the Australian dollar, future prices will also fluctuate because of changes in foreign exchange rates. Refer to Note 2(b)(i) for the management of foreign currency risk. Some securities present a risk of loss of capital and, except where equities are sold short, the maximum exposure resulting from financial instruments is determined by the fair value of those instruments. Potential losses from equities sold short can be unlimited.

The Investment Manager's security selection process is fundamental to the management of price risk. Whilst the Morgan Stanley Capital International ('MSCI') AC Asia ex Japan Net Index is used in measuring relative performance of the Company, risk in the view of the Investment Manager is not limited to relative performance versus a benchmark, but more so the prospect of losing money (i.e. absolute returns). The Company seeks a diversified range of investments whose business and growth prospects are being undervalued by the market. As a result, the Company's equity holdings vary considerably from the composition of the index.

The Company's overall market positions are monitored on an ongoing basis by the Investment Manager.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)**

**2. Financial risk management (continued)**

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

*(ii) Price risk (continued)*

The Company's net equity exposure as at 30 June 2018 and 30 June 2017 is set out below:

Industry Groups	2018	2017
Banks	17%	18%
Food, Beverage & Tobacco	14%	12%
Consumer services	13%	23%
Energy	10%	7%
Materials	10%	7%
Media	10%	7%
Software & Services	6%	12%
Household & Personal Products	5%	0%
Capital Goods	4%	3%
Automobiles & Components	3%	0%
Food & Staples Retailing	3%	0%
Diversified Financials	3%	0%
Technology Hardware & Equipment	3%	4%
Real Estate	(1%)	(1%)
Commercial & Professional Services	0%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>

*Price sensitivity*

The directors of the Company believe that it is difficult to accurately estimate future returns. Equity market returns can be volatile and returns from year to year often have a wide variance. As such, the Company uses a long-term performance average, rather than a short term performance number, when estimating sensitivity to price risk. The longer return average takes into consideration the full market cycle, whereas an estimate based solely on last year's performance is likely to be misleading when the market cycle shifts.

As at reporting date, if the listed security prices in the portfolio had increased/(decreased) by 5% (2017: 5%) with all other variables being constant, this would have increased/(decreased) the net assets attributable to shareholders by approximately +/- \$3,068,112 (2017: +/- \$2,906,643).

**(c) Credit risk**

Credit risk is the risk that a counterparty will fail to perform contractual obligations (i.e. default in either whole or part) under a contract causing the Company to make a financial loss.

Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of assets and liabilities as they are marked to market at balance date.

The total credit risk for assets including fixed income and equity securities is therefore limited to the amount carried in the Statement of Financial Position.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

### 2. Financial risk management (continued)

#### (c) Credit risk (continued)

The Investment Manager minimises the Company's concentrations of credit risk by adopting a number of procedures, including the following:

- Undertaking transactions with a large number of counterparties on recognised and reputable exchanges;
- Ensuring that these counterparties together with the respective credit limits are approved.

The contractual credit risk of assets is represented by the net payments or receipts that remain outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The Company does not hold any collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired as at balance date.

The Company has appointed Morgan Stanley & Co. International Plc ("Morgan Stanley") as both Prime Broker and Custodian to the Company. Morgan Stanley is subject to regulatory oversight and capital requirements imposed by the Financial Services Authority (UK) and, where applicable to its Australian operations, the Australian Securities and Investments Commission. As at the date of this report, Morgan Stanley has a credit rating of A+ (S&P) for long term debt and a rating of A-1 for short term debt.

The terms of the Prime Broker Agreement provide that Morgan Stanley may utilise custodial assets for its own lending and financing purposes (including to borrow, lend, charge, re-hypothecate, and dispose of) up to, but not exceeding, 180% of the value of the Company's outstanding liabilities with Morgan Stanley. These assets are owned by Morgan Stanley in its Prime Broker capacity. Under the terms of the Prime Broker Agreement, Morgan Stanley is obliged to return to the Company the equivalent custodial assets irrespective of what transpires between it and any third party with whom Morgan Stanley has transacted.

Cash holdings with Morgan Stanley are not subject to this arrangement and are always considered to be held by Morgan Stanley in its Prime Broker capacity.

All other custodial assets not subject to the Prime Broking arrangement are held by Morgan Stanley in its capacity as a Custodian in a separate asset pool, as is required by the Financial Services Authority (UK).

As at balance date, the maximum value of the Company's gross assets available to Morgan Stanley for its lending and financing activities is \$5,179,844 (2017: \$4,049,406). Under the Prime Broker arrangements in place, the amount does not require disclosure by Morgan Stanley. The maximum net exposure to the Prime Broking activities of Morgan Stanley, after offsetting the Company's outstanding liabilities with Morgan Stanley, approximates \$2,302,153 (2017: \$1,799,736) as at balance date.

The credit position of the Company is monitored on an ongoing basis by the Investment Manager.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

### 2. Financial risk management (continued)

#### (d) Fair Value Measurements

The Company measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis. There are no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

##### (i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

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

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

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

The fair value of financial assets and liabilities that are not traded in an active market are valued with reference to external third-party pricing information. These assets and liabilities include: Currency forward contracts and Options.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)**

**2. Financial risk management (continued)**

**(d) Fair Value Measurements (continued)**

*(iii) Recognised fair value measurements*

The table below presents the Company's financial assets and liabilities measured and recognised at fair value as at 30 June 2018 and 30 June 2017:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>2018</b>				
<b>Financial assets at fair value through profit or loss</b>				
Listed securities	61,362,232	-	-	61,362,232
Currency forward contracts	-	111,807	-	111,807
Options	-	405,396	-	405,396
	<u>61,362,232</u>	<u>517,203</u>	<u>-</u>	<u>61,879,435</u>
<b>2017</b>				
<b>Financial assets at fair value through profit or loss</b>				
Listed securities	58,132,860	-	-	58,132,860
Convertible notes	239,976	-	-	239,976
	<u>58,372,836</u>	<u>-</u>	<u>-</u>	<u>58,372,836</u>
<b>Financial liabilities at fair value through profit or loss:</b>				
Currency forward contracts	-	22,218	-	22,218
	<u>-</u>	<u>22,218</u>	<u>-</u>	<u>22,218</u>

*(iv) Transfer between levels*

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

*(v) Fair value of financial instruments not carried at fair value*

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)**

2018	2017
\$	\$

**3. Cash and cash equivalents and interest bearing liabilities**

*Cash and cash equivalents*

Cash at bank (Custodian) - AUD	4,237,715	-
Cash at bank (Custodian) - USD	2,267,068	6,588,189
Cash at bank (Custodian) - other currencies	2,969,871	3,325,976
	<u>9,474,654</u>	<u>9,914,165</u>

*Interest bearing liabilities*

Overdraft at Custodian	(2,877,691)	(2,227,452)
	<u>6,596,963</u>	<u>7,686,713</u>

Overdraft at Custodian is a cash facility offered by the Custodian. The Custodian in its role as Prime Broker has been granted a floating charge over the assets of the Company to secure any liabilities to the Prime Broker.

**4. Receivables**

Dividends receivable	347,233	185,135
GST receivable	2,194	2,886
Interest receivable	1,335	-
	<u>350,762</u>	<u>188,021</u>

**5. Payables**

Management fees payable	179,442	165,223
Audit fees payable	29,725	19,160
Interest payable	-	92
Withholding tax payable	-	2,782
	<u>209,167</u>	<u>187,257</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)**

**6. Income tax**

**(a) Income tax expense**

The aggregate amount of income tax attributable to the financial year differs from the amount of income tax that would be payable by the Company if its taxable income for the year were equal to the amount of the profit/(loss) before income tax. The difference between these amounts is explained as follows:

	2018 \$	2017 \$
Profit for the year before income tax expense	6,074,847	13,190,324
Prima facie income tax expense calculated at 27.5% (2017: 27.5%)	1,670,583	3,627,339
Change in company tax rate	-	150,428
Tax credits - current year	(41,199)	(39,285)
Under-provision of prior year tax	(164)	6,909
Income tax expense	1,629,220	3,745,391

**(b) Franking credits**

	2018	2017
Franking credits available for subsequent reporting periods based on a tax rate of 27.5% (2017 - 27.5%)	\$4,273,984	\$2,972,835
Number of shares on issue at the end of the financial year	56,313,902	55,861,921
Franking Credits available per Share on issue	\$0.0759	\$0.0532

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits or debits that will arise from the settlement of liabilities or receivables for income tax at the end of the period.

The "NTA before tax accruals + franking credits" as announced to the ASX does not include franking credits that will arise from the payment of income tax payable per the Statement of Financial Position as at the end of each reporting period.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)**

2018	2017
\$	\$

**6. Income tax (continued)**

**(c) Deferred tax**

Deferred tax assets are represented by the following temporary differences:

Initial public offering corporate fee	-	35,873
Initial public offering legal fees	-	6,090
Initial public offering listing fee	-	7,121
Initial public offering other expenses	-	9,434
Insurances	6,626	11,672
Audit fees	8,174	5,269
Unrealised losses on investments	65,696	-
	<u>80,496</u>	<u>75,459</u>

Deferred tax liabilities are represented by the following temporary differences:

Unrealised gains on investments	-	773,932
Dividend receivable	95,822	52,067
	<u>95,822</u>	<u>825,999</u>

**7. Share capital**

There is a single class of ordinary shares on issue. For all shares issued in accordance with the Prospectus dated 7 April 2014, an option was also issued (exercisable on or before 31 May 2016, after this date the options expired). The amount paid by each shareholder was allocated between the share and the option based on relative market prices on the first day of trading. Costs of fundraising were allocated between shares and options on the same basis.

Each Share confers on its holder equal voting rights and the rights to share equally in dividends and any surplus on winding up.

Subject to the *Corporations Act 2001* and the ASX Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution. Movements in share capital during the year are set out below:

2018	2017
Number of	Number of
Shares	Shares

Shares on issue at beginning of the year	55,861,921	55,124,501
Shares issued under the Company's dividend reinvestment plan	451,981	737,420
Shares on issue at the end of the year	<u>56,313,902</u>	<u>55,861,921</u>

**Capital Management**

The Company's objectives for managing capital are to invest the capital in investments meeting the description, risk exposure and expected return as indicated in the Company's Prospectus dated 7 April 2014.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

### 8. Expenses

#### (a) Fees paid to the Investment Manager

The Company has outsourced its investment management function to PM Capital Limited. A summary of the fees (GST exclusive) charged by the Investment Manager is set out below.

##### (i) Management fee

The Investment Manager is entitled to be paid a management fee equal to 1.00% p.a. (plus GST) of the Portfolio Net Asset Value. The management fee is calculated and accrued on the last day of each week and paid at the end of each quarter in arrears.

##### (ii) Performance Fee

At the end of each financial year, the Investment Manager is entitled to receive a performance fee from the Company. The fee is calculated and accrued monthly using the following formula:

$$P = 15\% \times (A - B) \times \text{Portfolio Net Asset Value at the end of the last day of the relevant month where:}$$

P is the Performance Fee for the relevant month;  
A is the Investment Return of the Portfolio for the relevant month; and  
B is the Benchmark Return for the relevant month. "Benchmark Return" means, in respect of the relevant month, the percentage by which the Morgan Stanley Capital International ("MSCI") Asia (ex-Japan) Equity Index (Net Dividends Reinvested, AUD) increases or decreases over the course of the relevant month.

The performance fee for each month in a financial year will be aggregated (including any negative amounts carried forward) and paid annually in arrears if the aggregate performance fee for that financial year (including any negative amounts carried forward) is a positive amount.

No performance fee was payable during the year (2017: \$Nil).

#### (b) Auditor's Remuneration

	2018 \$	2017 \$
Audit and review of the financial statements	39,500	38,750
Tax compliance services	13,633	3,150
Other assurance services	-	-
	53,133	41,900

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)**

	2018	2017
<b>9. Earnings per share</b>		
Basic earnings per share	7.92 cents	17.02 cents
Diluted earnings per share	7.92 cents	17.02 cents
<b>Reconciliation of earnings and weighted average number of shares used in calculating basic and diluted earnings per share:</b>		
Earnings used in calculating basic earnings per share	\$4,445,627	\$9,444,933
Earnings used in calculating diluted earnings per share	\$4,445,627	\$9,444,933
Weighted average number of ordinary shares used in the calculation of basic earnings per share	56,162,519	55,504,544
Weighted average number of shares used in the calculation of diluted earnings per share	56,162,519	55,504,544

**10. Cash flow statement**

	2018 \$	2017 \$
<b>Reconciliation of Net Profit after income tax to Cash Flow from Operating Activities</b>		
Profit after income tax	4,445,627	9,444,933
Gains on investments held at fair value through profit or loss	(5,163,002)	(12,812,988)
Gains on foreign exchange	(58,380)	(92,785)
<i>Changes in assets and liabilities:</i>		
Increase in receivables	(158,420)	(58,985)
Increase in income tax payable	1,162,948	473,669
(Increase)/decrease in deferred tax assets	(5,037)	1,729,678
(Decrease)/increase in deferred tax liabilities	(730,177)	825,999
Increase in payables	20,575	7,946
Net cash outflow from operating activities	(485,866)	(482,533)

**11. Segment information**

The Company has only one reportable segment and one industry. It operates predominantly in Australia and in the securities industry (though most investments are in foreign jurisdictions). It earns revenue from dividend income, interest income and other returns from the investment portfolio. The Company invests in different types of securities, as detailed at Note 2 Financial risk management.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

### 12. Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions, and are as follows:

- The compensation arrangements with the Directors and Executive Directors (refer to Directors' Remuneration below);
- The interests in the Company held directly or indirectly by the Directors and Executive Directors (refer to remuneration report included in the directors' report); and
- The Management Agreement between the Company and the Investment Manager (refer to Note 8 for details of fees paid to the Investment Manager).

#### Directors' Remuneration

Directors' remuneration received or receivable for the year ended 30 June 2018 was:

Director	Directors' fees \$	Superannuation \$	Total \$
Brett Spork	31,963	3,037	35,000
Andrew McGill	27,397	2,603	30,000
Ben Skilbeck	-	-	-
Richard Matthews	-	-	-
	<u>59,360</u>	<u>5,640</u>	<u>65,000</u>

Directors' remuneration received or receivable for the year ended 30 June 2017 was:

Director	Directors' fees \$	Superannuation \$	Total \$
Brett Spork	31,963	3,037	35,000
Andrew McGill (appointed 20 March 2017)	7,733	735	8,468
Todd Barlow (resigned 20 March 2017)	20,548	1,952	22,500
Andrew Reeve-Parker (resigned 21 October 2016)	8,396	797	9,193
Ben Skilbeck	-	-	-
Richard Matthews	-	-	-
	<u>68,640</u>	<u>6,521</u>	<u>75,161</u>

Ben Skilbeck is the Chief Executive Officer of the Investment Manager and Richard Matthews is the Chief Operating Officer, Head of Risk and Compliance and Company Secretary of the Investment Manager. They are remunerated by the Investment Manager and are not entitled to a director's fee or any other form of remuneration from the Company.

## DIRECTORS' DECLARATION

1. In the directors' opinion:
  - (a) the financial statements and notes set out on pages 15 to 37 are in accordance with the *Corporations Act 2001*, and
    - (i) comply with Australian Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
    - (ii) give 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 date; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The notes to the financial statements include a statement of compliance with International Financial Reporting Standards.
3. The directors have been given by the Executive Director and Chief Financial Officer of the Investment Manager the declarations for the year ended 30 June 2018 required by Section 295A of the *Corporations Act 2001*.

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



**Brett Spork**  
**Chairman**

**Sydney, NSW**  
**23 August 2018**

**PM CAPITAL ASIAN OPPORTUNITIES FUND LIMITED****ACN 168 666 171****INDEPENDENT AUDITOR'S REPORT**

To the members of PM Capital Asian Opportunities Fund Limited:

**Opinion**

We have audited the financial report of PM Capital Asian Opportunities Fund Limited ("the Company"), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company 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 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards 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 auditor independence requirements of 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**HLB Mann Judd (NSW Partnership) ABN 34 482 821 289**

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<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
<b><i>Existence and Valuation of Investments and Cash</i></b>	
At 30 June 2018 the Company held “Financial assets at fair value through profit or loss” of \$61,879,435 and “Cash and Cash Equivalents” of \$9,474,654, which have been included in the Company’s Statement of Financial Position at that date.	We confirmed the Existence of the Cash and Investments with the Custodian, and the Valuation of the investments with the Custodian and third party valuation information.
We considered these areas to be key audit matters due to the size of the amounts involved.	
As disclosed in Note 1, investments are initially held at fair value through profit or loss including any transaction costs. Subsequent to initial recognition they are accounted for at fair value, with changes in those values recognised in profit or loss.	
<b><i>Completeness of Interest Bearing Liabilities and Other Financial Liabilities</i></b>	
At 30 June 2018 the Statement of Financial Position shows “Interest bearing liabilities” of \$2,877,691.	We confirmed with the Custodian that all interest bearing liabilities and other financial liabilities at fair value through profit or loss had been recognised.
We considered this area to be a key audit matter due to the potential size of the liabilities.	
<b><i>Completeness and Occurrence of Performance and Management Fees</i></b>	
The Company has an agreement with its Investment Manager, PM Capital Limited, to pay management fees and, depending on performance, performance fees to PM Capital Limited.	We obtained copies of the Investment Manager’s calculation of the performance and management fees. We reviewed the calculation of the fees, ensuring that the rates used were those in the agreement.
For the year ended 30 June 2018 the Company incurred “management fees” of \$713,713 which have been included in the Company’s Statement of Profit or Loss and Other Comprehensive Income. No performance fee was payable during the year.	We confirmed with the Investment Manager that the expense recognised by the Company reconciled to the income received by the Investment Manager.
We focused on this area as a key audit matter as the agreement is with the Investment Manager of the Company.	

## **Information Other than the Financial Report and Auditor’s Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the Company’s annual report for the year ended 30 June 2018, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the 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 in accordance with Australian Accounting Standards and 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 related 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.

## **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 of assurance, but is not a guarantee that an audit conducted in accordance with 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 this financial report.

As part of an audit in accordance with the 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 the directors.
- Conclude on the appropriateness of the 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 the directors 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 13 to 14 of the directors' report for the year ended 30 June 2018.

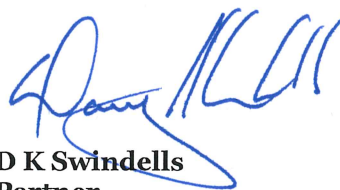
In our opinion, the Remuneration Report of the Company for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**HLB Mann Judd**  
Chartered Accountants



**D K Swindells**  
Partner

**Sydney, NSW**  
**23 August 2018**

## SHAREHOLDER INFORMATION

### Additional Information

The additional information required by the Australian Securities Exchange Limited Listing Rules is set out below.

### 20 Largest Shareholders

Details of the 20 largest ordinary shareholders and their respective holdings as at 30 July 2018.

Holder name	Ordinary Shares held	% of Issued Shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	9,425,821	16.74%
ROARING LION PTY LIMITED	3,827,396	6.80%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,734,481	3.08%
SPAR NOMINEES PTY LTD	752,861	1.34%
DEMETA PTY LTD	500,796	0.89%
NAVIGATOR AUSTRALIA LTD	365,366	0.65%
BNP PARIBAS NOMINEES PTY LTD	354,466	0.63%
LACTIC INVESTMENT MANAGERS PTY LTD	250,000	0.44%
SURFSIDE PTY LIMITED	226,101	0.40%
ESKDALE INVESTMENT CO PTY LTD	222,246	0.39%
MR PAUL ANDREW RINGROSE	219,443	0.39%
NETWEALTH INVESTMENTS LIMITED	211,676	0.37%
FORSYTH BARR CUSTODIANS LTD	206,700	0.37%
MR BRYAN JOHN HISCOCK & MRS JEAN HELEN HISCOCK	200,000	0.35%
BOARDWALK PTY LTD	200,000	0.36%
ROMAN LOHYN PTY LTD	200,000	0.36%
POSSE INVESTMENT HOLDINGS PTY LIMITED	175,600	0.31%
MRS LUCY ELLEN FEEK	165,348	0.29%
RJ & BE HUNTER SUPERANNUATION HOLDINGS PTY LTD	160,000	0.28%
MR ALISTAIR DAVID STRONG	155,000	0.28%
	<b>19,553,301</b>	<b>34.72%</b>

### Substantial Shareholders

Details of substantial shareholders and their respective holdings as at 30 July 2018.

Holder name	Ordinary Shares held	% of Issued Shares
Roaring Lion Pty Ltd as trustee for the Roaring Lion Super Fund, and PM Capital Global Opportunities Fund Limited	13,253,218	23.54%
	<b>13,253,218</b>	<b>23.54%</b>

## SHAREHOLDER INFORMATION (CONTINUED)

### Distribution of Shares

Analysis of numbers of equity security holders, by size of holding, as at 30 July 2018.

Holding	Number of shareholders	Ordinary shares held	% of Issued Shares
1 - 1,000	99	55,948	0.10%
1,001 - 5,000	370	1,170,255	2.08%
5,001 - 10,000	396	3,276,690	5.82%
10,001 - 100,000	953	28,647,561	50.87%
100,001 and over	48	23,163,448	41.13%
	<b>1,866</b>	<b>56,313,902</b>	<b>100.00%</b>

The number of holders possessing less than a marketable parcel of the Company's ordinary shares, based on the closing market price as at 30 July 2018 is 28.

### Other Stock Exchanges Listing

Quotation has been granted for all Ordinary Shares of the Company on the Australian Securities Exchange.

### Restricted Securities

There is no issue of restricted securities by the Company currently.

### Unquoted Securities

There are no unquoted securities on issue by the Company.

### Buy-Back

There is no on market buy-back currently.

### Investment Transactions

The total number of transactions in securities during the reporting period was 122.

The total brokerage paid (net of RITC) on these transactions was \$89,623.

## **SHAREHOLDER INFORMATION (CONTINUED)**

### **Investment Management Agreement**

The Company has appointed PM Capital Limited (“Investment Manager”) to manage the investment portfolio of the Company, and to calculate the value of the portfolio and net tangible assets at least monthly. The Investment Manager must, from time to time and on behalf of the Company, invest portfolio money, including money received on disposal of investments or distributions from investments, to make or hold investments, and realise or dispose of investments.

Additional duties of the Investment Manager include assisting the Company’s auditors as required, keeping proper books of account and records, providing or procuring the provision of administrative support services reasonably required by the Company, and keeping the Company informed in respect of the management of the portfolio.

In consideration for the performance of its duties as Investment Manager of the Company, the Investment Manager is paid a management fee of 1% per annum of the portfolio net asset value, calculated on the last day of each month, and a performance fee of 15% of the investment return above the benchmark return multiplied by the portfolio net asset value. The performance fee for each month for the year will be aggregated and will be payable if it is a positive amount at 30 June of each year.

The Agreement remains in force for 5 years (“Initial Term”) from the IPO allotment date unless terminated earlier by either party in certain circumstances. The Investment Manager may terminate the Agreement at any time after the first anniversary of the Agreement by giving the Company at least 3 months’ written notice. The Company may terminate the Agreement after the Initial Term and on delivery of 3 months’ prior written notice and payment of termination fees where applicable, or with immediate effect in certain cases, including in the case of the Investment Manager’s insolvency, the Investment Manager’s material default or breach under the Agreement or the Investment Manager consistently investing outside of the investment strategy.

# Corporate information

**Directors:** Brett Spork - Chairman and Non-executive Director  
Andrew McGill - Non-executive Director (appointed 20 March 2017)  
Ben Skilbeck - Executive Director  
Richard Matthews - Alternate Director for Ben Skilbeck

**Company Secretary:** Richard Matthews

**Investment Manager:** PM Capital Limited  
Level 27, 420 George Street  
Sydney NSW 2000  
(AFSL 230222)

**Auditor:** HLB Mann Judd (NSW Partnership)  
Chartered Accountants  
Level 19, 207 Kent Street  
Sydney NSW 2000

**Country of Incorporation:** Australia

**Registered Office:** Level 27, 420 George Street  
Sydney NSW 2000  
Telephone: (+612) 9290 9600

**Share Registry:** Boardroom Pty Limited  
Level 12, 225 George Street  
Sydney NSW 2000  
Telephone: (+612) 9290 9600

**ASX Code:** Shares: PGF.AX

**Website:** <http://www.pmcapital.com.au/listed-investment-company/paf>

**Charters and Policies:** <http://www.pmcapital.com.au/pgf/compliance>