

# Acorn Capital Investment Fund Limited

ACN 167 595 897

## Appendix 4E

### ASX Preliminary final statements for the reporting period ended 30 June 2020

#### Results for announcement to the market

The results in this preliminary final report are for the period from 1 July 2019 to 30 June 2020. Comparative results are for the period from 1 July 2018 to 30 June 2019.

	30 June	30 June	
	2020	2019	%
	\$'000	\$'000	Change
Revenue from ordinary activities	4,978	(120)	4,248
Profit from ordinary activities before tax attributable to members	2,547	(1,388)	284
Profit from ordinary activities after tax attributable to members	2,041	(567)	460

Dividend Information	Cents per share	Franked amount per share	Tax rate for franking
2020 interim dividend	3.75	100%	27.5%
2020 final dividend	3.75	100%	26.0%

#### Final Dividend Dates

Ex-dividend Date	12 November 2020
Record Date	13 November 2020
Payment Date	27 November 2020

#### Dividend Reinvestment Plan

ACQ has adopted a Dividend Reinvestment Plan (DRP) that will apply to this dividend.

The DRP has been lodged with ASX.

The DRP will be available for the FY20 Final Dividend and all subsequent dividends unless notice is given of its suspension or termination.

	<b>30 June</b>	<b>30 June</b>
	<b>2020</b>	<b>2019</b>
	<b>\$/share</b>	<b>\$/share</b>
<b>Net Tangible Asset Backing Per Share (Post Tax)</b>	1.1422	1.1786

#### Reconciliation of Net Assets Per Share for Net Tangible Asset Reporting and Financial Reporting Purposes

	<b>30 June</b>	<b>30 June</b>
	<b>2020</b>	<b>2019</b>
Net Tangible Asset Backing Per Share (Post Tax)	1.1422	1.1786

#### Permanent differences

Provision for transaction costs on disposal of the Portfolio	0.0011	0.0012
Adjustment to deferred tax liabilities	0.0003	0.0003
<b>Net Tangible Assets Per Share in the Financial Report</b>	<b>1.1436</b>	<b>1.1801</b>

## **Significant Features of Operating Performance**

During the reporting period, Acorn Capital Investment Fund Limited (the Company) continued to invest funds in accordance with its governing documents.

The most appropriate measure of the Company's financial performance is total comprehensive income/(loss). Total comprehensive income/(loss) for the reporting period ended 30 June 2020 was \$2,040,618 (2019: \$(566,686)). Total comprehensive income/(loss) includes the profit after tax and both realised and unrealised gains/(losses) on the Company's investments.

The Company's profit/(loss) before income tax for the reporting period was \$2,546,615 (2019: \$(1,387,432)).

The profit/(loss) after income tax for the reporting period was \$2,040,618 (2019: \$(566,686)).

Basic earnings/(loss) per share after income tax was 3.83 cents (2019: (1.07)) for the reporting period.

## **Significant Impacts on Future Performance**

The results of the Company's operations may be affected by a number of factors, including the performance of investment markets in which the Company invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

## **Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity & Notes to the Accounts**

Refer to following 2020 Annual Report.

## **Audit**

This report has been based on accounts which have been audited by the Company's auditors.



# ACORN CAPITAL INVESTMENT FUND LTD

## 2020 ANNUAL REPORT

for the period ending 30 June 2020

# Acorn Capital Investment Fund Limited

ACN 167 595 897

## Annual financial report for the year ended 30 June 2020

<b>CONTENTS</b>	<b>Page</b>
Corporate directory	2
Chairman's review	3
Investment Manager's review	4 - 6
Information about the Investment Manager	7
Corporate governance statement	8 - 11
Directors' report	12 - 19
Auditor's independence declaration	20
Statement of comprehensive income	21
Statement of financial position	22
Statement of changes in equity	23
Statement of cash flows	24
Notes to the financial statements	25 - 50
Directors' declaration	51
Independent auditor's report to the unitholders of Acorn Capital Investment Fund Limited	52 - 56
Additional information for listed companies	57 - 59

## **CORPORATE DIRECTORY**

<b>Directors</b>	John Steven (Chairman and Non-Executive director) Judith Smith (Non-Executive director) David Trude (Non-Executive director) Robert Brown (Director) Barry Fairley (Director)
<b>Company secretary</b>	Matthew Sheehan
<b>Principal registered office in Australia</b>	C/- Acorn Capital Limited, ACN 082 694 531 Level 12, 90 Collins Street, Melbourne Victoria 3000 Telephone: +61 3 9639 0522
<b>Investment Manager</b>	Acorn Capital Limited
<b>Share registry</b>	Computershare Investor Services Limited Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067 Telephone: 1300 850 505 (within Australia), +61 3 9415 4000 (international)
<b>Auditor</b>	Ernst & Young Level 23, 8 Exhibition Street, Melbourne Victoria 3000
<b>Legal adviser</b>	Minter Ellison Lawyers, Rialto Towers, 525 Collins Street, Melbourne Victoria 3000
<b>Stock exchange</b>	Australian Securities Exchange ASX Code: ACQ
<b>Website</b>	<a href="http://www.ACQFund.com.au">www.ACQFund.com.au</a>

## CHAIRMAN'S REVIEW



Dear Shareholder

**ACORN CAPITAL INVESTMENT FUND LIMITED (the "Company")**  
**ACORN CAPITAL LIMITED (the "Manager")**

COVID-19 has undoubtedly been the biggest story for the 2020 financial year and its effects are still being felt. Pleasingly, the Company has performed well in the context of the influence of the pandemic on equity markets.

In the year to 30 June 2020, the Company has continued to invest in accordance with its objective and has a portfolio of listed and unlisted emerging, or microcap, companies (being those companies smaller than the ASX-250<sup>th</sup> largest company by market capitalisation) which it is hoped will provide shareholders with the opportunity for long term capital appreciation. For the year to 30 June 2020, the ACQ portfolio has returned +2.3%<sup>1</sup>, where portfolio performance is calculated as the movement in NTA per share before tax effects, which is post all management fees, performance fees and operating costs. Performance includes dividends paid and payable but has not been grossed up for franking credits received by shareholders. Over the same period, the S&P/Small Ordinaries Accumulation Index has returned -5.7%.

The pre-tax Net Tangible Assets of the Company as at 30 June 2020 was \$1.1711 per share, while its post-tax NTA was \$1.1436 per share (refer to note 18). The Company paid fully franked dividends to the value of 7.25c per share over the past 12 months and has paid fully franked dividends of 22.25c per share since listing. As at 30 June 2020 the Company has \$22.8 million in reserves available for the payment of dividends.

The second half of the 2020 financial year brought with it some of the most volatile conditions ever observed in the microcap sector. The Board believes that the ability of the Company's portfolio to outperform relative to the broader Australian listed equities market reflects the disciplined implementation of the investment strategy to achieve diversification by industry and stock number. The best performing industry sectors for the period were Industrials – ex Capital Goods and Financials – AREITs, whilst the poorest performing industry sectors were Energy and Utilities. Within the best performing sectors, the unlisted investments (a feature of the Company's investment strategy) were amongst the strongest performers. It is also relevant to highlight that the strong valuation uplifts being observed on unlisted portfolio holdings at the time of liquidity provides some assurance around valuation practices of the Investment manager.

The investment strategy deployed by the Company provides investors with exposure to companies that exhibit the characteristics of growth and innovation. We remain optimistic that in the context of volatile economic conditions there will be ongoing opportunities to identify attractive investments.

I would like to thank you for your support of the Company. Your Directors and the Manager are committed to continuing the success of the Company.

John Steven  
Chairman  
28 August 2020

---

<sup>1</sup> Portfolio performance is unaudited and calculated as the movement in NTA per share before tax effects, which is post all management fees, performance fees and operating costs. Performance includes dividends paid and payable but has not been grossed up for franking credits received by shareholders. All figures are unaudited, and unlisted valuations are performed by Acorn Capital in accordance with ACQ approved policies.

## INVESTMENT MANAGER'S REVIEW



### SUMMARY OF RESULTS

As illustrated in Table 1, the Company has returned a net<sup>1</sup> portfolio return of +7.3% p.a. since its inception on 1 May 2014. Over the same period the Acorn Capital/SIRCA Microcap Accumulation Index and the S&P/ASX Small Ordinaries Accumulation Index have returned +5.0% p.a. and +6.3% p.a. respectively.

**Table 1. Performance of ACQ and relevant Indices**

To 30 June 2020	FY2020	Since Inception <sup>2</sup>
Company Performance <sup>1</sup>	+2.3%	+7.3% p.a.
Acorn Capital/SIRCA Microcap Acc. Index <sup>3</sup>	-0.0%	+5.0% p.a.
S&P/ASX Small Ordinaries Acc. Index	-5.7%	+6.3% p.a.
S&P/ASX Emerging Companies Acc. Index	-1.9%	+6.1% p.a.
S&P/ASX All Ordinaries Acc. Index	-7.2%	+5.9% p.a.

<sup>1</sup>Portfolio performance is unaudited and calculated as the movement in NTA per share before tax effects but post all management fees, performance fees and operating costs. Performance includes dividends paid and payable but has not been grossed up for franking credits received by shareholders. All figures are unaudited, and unlisted valuations are performed by Acorn Capital in accordance with ACQ Board approved policies.

<sup>2</sup> Inception is 1 May 2014

<sup>3</sup> Acorn Capital/SIRCA Microcap Accumulation Index data is verified 3 months in arrears by SIRCA

### SMALL ORDS PERFORMANCE

Table 2 breaks out the performance of each Small Ords industry sub-sector and demonstrates that the best performing individual sectors for the 2020 financial year were Utilities (+99.0%), Health Care (+17.1%), and Materials – Resources (+14.7%). The worst performing sectors were Energy (-37.3%), Industrials – Capital Goods (-26.0%) and Industrials - ex-Capital Goods (-21.6%).

**Table 2. Small Ords Index Sector Returns in the Financial Year to 30 June 2020**

FY2020	Small Ords Index Sector Return (%)	Average Index Weight (%)
Communication Services	-26.0	4.9
Consumer Discretionary	-20.1	13.3
Consumer Staples	1.0	7.5
Energy	-37.3	2.8
Financials - AREITs	-7.3	12.5
Financials - ex AREITs	-5.6	12.8
Health Care	17.1	8.3
Industrials - Capital Goods	-21.9	6.1
Industrials - ex Capital Goods	-21.6	3.1
Information Technology	7.3	8.7
Materials - ex Resources	-10.9	4.4
Materials - Resources	14.7	15.2
Utilities	-26.0	0.4
<b>Total</b>	<b>-5.7</b>	<b>100.0</b>

\*rounded

Source: S&P/Acorn Capital

**PERFORMANCE OF THE COMPANY**

The 2020 financial year has resulted in the portfolio outperforming the S&P/ASX Small Ordinaries Accumulation Index by 8.0% after all fees.

The portfolio benefited from strong returns in the following sectors: Industrials (Cleanspace, Carbon Revolution), Financials (Moula Money) and Health Care (Aroa).

The portfolio experienced modest returns in the following sectors: Energy (Sundance Energy, Carnarvon) and Consumer Staples (Select Harvests, Maggie Beer Holdings).

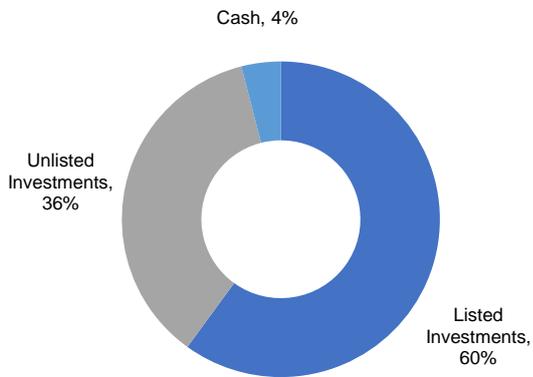
**FEATURES OF THE COMPANY**

The focus of the Company is on listed and unlisted Emerging Companies or microcaps. This segment of the Australian investment market is generally under-researched and under-represented in investor portfolios. The Company gives investors exposure to companies that have the potential to provide substantial capital appreciation over the long term. An investment in the Company provides capital to developing companies and provides exposure to Australia's entrepreneurs and the next generation of corporate success stories. A distinguishing feature of the investment strategy deployed by the Company is its ability to invest in unlisted securities. Since inception through to 30 June 2020, the Company has invested approximately \$39.6 million in 40 unlisted investments of which 19 have reached a liquidity event.

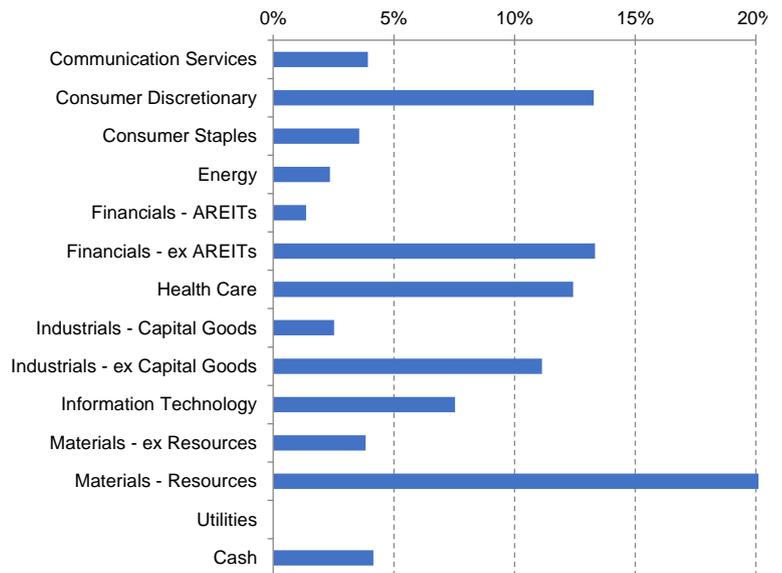
**COMPANY PORTFOLIO – COMPOSITION**

As illustrated in Figures 2 and 3 below, the portfolio of the Company is diversified across all microcap sectors. The portfolio held 73 stocks as at 30 June 2020 with unlisted investments representing approximately 36% of gross portfolio assets.

**Fig 2. Composition of Gross Portfolio Assets**



**Fig 3. Sector Weights**



Source: Acorn Capital as at 30 June 2020

**COMPANY PORTFOLIO – TOP 10 HOLDINGS**

At 30 June 2020, the 10 and 20 largest stock holdings account for approximately 45.7 and 65.6% of the Company's portfolio respectively.

**Table 4. Portfolio Top 10 Holdings**

<b>Stock</b>	<b>Portfolio Weight %</b>
1. Moula Money Pty Ltd (UL)	8.7%
2. Telix Pharmaceuticals Limited	6.9%
3. Aroa Biosurgery Ltd (UL)	5.0%
4. CleanSpace Holdings (UL)	4.4%
5. Redbubble Limited	4.2%
6. Calix Limited	4.0%
7. Shine Justice Ltd	3.7%
8. Innovative Asset Solutions Group (UL)	3.1%
9. Flare HR Pty Ltd (UL)	2.9%
10. Thinxtra (UL)	2.8%
<b>Total</b>	<b>45.7%</b>

Source: Acorn Capital as at 30 June 2020  
(UL) Unlisted

I would like to take this opportunity to thank you for your support.



Robert Routley  
Chief Executive Officer  
Acorn Capital Limited

## **INFORMATION ABOUT THE INVESTMENT MANAGER**

The manager of Acorn Capital Investment Fund Limited (the Company) is Acorn Capital Limited. The Manager is a Melbourne based boutique investment manager that was established in 1998. The Manager has a long track record of investing in microcap equities for institutional investors. The Manager's investment philosophy is based on the belief that there are pricing inefficiencies amongst microcap companies due to them being a large and diverse group with minimal external research readily available on such entities. Further information about the Manager can be found at [www.acorncapital.com.au](http://www.acorncapital.com.au)

## CORPORATE GOVERNANCE STATEMENT

Acorn Capital Investment Fund Limited (the **Company**) is a listed investment company whose shares are traded on the Australian Securities Exchange (**ASX**). The Company has no employees and its day-to-day functions and investment activities are managed by Acorn Capital Limited (the **Manager**) in accordance with the Management Agreement dated 11 March 2014 (**Management Agreement**).

The Board is committed to operating effectively and in the best interests of shareholders. This Corporate Governance Statement reports against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4<sup>th</sup> Edition) (**ASX Recommendations**). To the extent they are relevant to the Company, the ASX Recommendations have been adopted by the Company. Where, after due consideration, the Company's corporate governance practices depart from an ASX Recommendation, this Corporate Governance Statement sets out the reasons for the departure.

The ASX Recommendations provide that a number of its recommendations may require modification, or may not apply to externally managed listed entities.

The Company is externally managed by the Manager and therefore Recommendations 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.7, 2.1, 2.2, 2.4, 2.5, 2.6, 8.1, 8.2, 8.3, 9.1, 9.2 and 9.3 are not applicable to the Company.

This Corporate Governance Statement was approved by the Board of the Company on 28 August 2020 and the information contained in it is current as at that date, unless stated otherwise.

More information on the Company's governance practices, including Board profiles, Board and Committee charters and key governance policies, can be found in the corporate governance section of our website.

### **Alternative Principle 1: Lay solid foundations for management and oversight**

The primary role of the Board is to act in the best interests of the Company as a whole and the Board is accountable to shareholders for the overall direction, management and corporate governance of the Company. This involves monitoring the decisions and actions of the Manager who is responsible for the day-to-day management and investment activities of the Company in accordance with the Management Agreement. The Board has also established an Audit Committee to assist the Board in carrying out its responsibilities. The Audit Committee is discussed in further detail in Principle 4 below.

The Board has formalised its roles and responsibilities and guidelines for determining Director independence in the Board Charter. A copy of the Board Charter is available on the Company's website.

The Board believes that the Company is fully compliant with the alternate requirements under Alternative Principle 1 and its recommendations.

### **Principle 2: Structure the Board to be effective and add value**

The Board currently comprises five Directors, three of whom are considered by the Board to be independent: John Steven (Chairman), Judith Smith and David Trude. Details of the background, experience and professional skills of each Director, as well as the period that each Director has held office, are set out in the Directors' Report. The Company's website also sets out the skills of each individual director. The Board regularly reviews the skills of the directors to ensure that the Company continues to maintain the skills needed to address existing and emerging business and governance issues relevant to it.

The Board believes that the Company is fully compliant with its requirements under Recommendation 2.3 and its recommendations.

### **Principle 3: Instil a culture of acting lawfully, ethically and responsibly**

The Company is externally managed by the Manager and has no employees. The Company has been established to provide security holders with access to a diversified portfolio of Australian emerging companies which, over a rolling 7 – 10 year basis outperforms its benchmark, the S&P/ASX Small Ordinaries Accumulation Index.

The Board has adopted a Code of Conduct for Directors a copy of which can be found on the Company's website. The Company requires all of its Directors to comply with the standards of behaviour and business ethics in accordance with the law and the Code of Conduct. These include acting honestly and with integrity and fairness in all dealings with others and each other, managing conflicts of interest, complying with the laws that govern the Company's business and its operations and acting ethically in their approach to business decisions.

The Manager has also adopted a code of conduct which applies to its employees and directors.

As the Company has no employees and management of the Company has been outsourced to the Manager, it has adopted the Manager's whistleblower and anti-bribery policies.

The Board believes that the Company is fully compliant with its requirements under Principle 3 and its recommendations.

**Principle 4: Safeguard the integrity of corporate reports**

The Board has established an Audit Committee to assist the Board to implement controls designed to safeguard the Company's interests and the integrity of its reporting. The Audit Committee comprises the three independent non-executive Directors, Judith Smith (Chairperson), John Steven and David Trude. The chairperson is not the chairman of the Board. For more information regarding the qualifications and experience of the members of the Audit Committee please refer to the Directors' Report.

The Audit Committee met three times during the reporting period. For more information on the Audit Committee's meetings and attendances please refer to the Director's Report.

The Audit Committee Charter, being the charter under which the Audit Committee operates can be found on the Company's website.

The objectives of the Audit Committee are to:

- help the Board achieve its objective in relation to financial reporting, the application of accounting policies, legal and regulatory compliance and internal control and risk management systems;
- maintain and improve the quality, credibility and objectivity of the financial accountability process;
- promote a culture of compliance;
- ensure effective communications between the Board and compliance representatives of the Manager;
- provide a forum for communication between the Board and senior financial and compliance representatives of the Manager;
- ensure effective internal and external audit functions and communications between the Board and auditors; and
- ensure compliance strategies and compliance functions are effective.

The responsibilities of the Audit Committee include:

- external financial reporting;
- risk management and internal compliance and control systems;
- assessing and monitoring key financial risk;
- assessing and monitoring legal and regulatory risk;
- disclosure and reporting;
- overseeing the internal audit function and the engagement of the external auditor.

The Board receives a written declaration from the relevant executives of the Manager who perform the function of Managing Director and Chief Financial Officer respectively that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company's independent external auditor is Ernst & Young. The external auditor attends the Company's Annual General Meeting and is available to answer questions from shareholders in relation to the conduct of the audit, the auditors' report and the preparation of the financial statements. The external auditor also attends other meetings where relevant items are on the Committee's agenda.

The Company has adopted the Continuous Disclosure Policy (as discussed below). As part of the continuous disclosure process a verification process is undertaken in relation to all material released to ASX including non-audited periodic reports.

The Board believes that the Company is fully compliant with its requirements under Principle 4 and its recommendations.

**Principle 5: Make timely and balanced disclosure**

The Company is committed to complying with its continuous disclosure obligations under the Corporations Act 2001 and the ASX Listing Rules.

The Board has adopted a Continuous Disclosure Policy, the objectives of which are to:

- ensure the Company immediately discloses all price-sensitive information to ASX in accordance with the ASX Listing Rules and the Corporations Act
- ensure the Company's officers are aware of the Company's continuous disclosure obligations; and
- establish procedures for the collection and assessment of potentially price-sensitive information and (if necessary) release information determined to be price-sensitive to ASX, as well as responding to any queries from ASX.

Under the Management Agreement the Manager has also agreed to assist the Company to comply with its continuous disclosure obligations by providing information and drafting ASX announcements for approval by the Board or its delegate. The Company has

established a Disclosure Committee comprising members of the Board and representatives of the Manager.

The Company's Continuous Disclosure Policy, which can be found on the Company's website, also sets out the procedures which must be followed in relation to releasing announcements to the market and discussions with analysts, the media or shareholders.

Copies of material market announcements are promptly provided to directors following their release.

All presentations that are made to security holders or advisory groups are made only to wholesale investors and are first released to ASX.

The Board believes that the Company is fully compliant with its requirements under Principle 5 and its recommendations.

#### **Principle 6: Respect the rights of security holders**

The Board has adopted the Shareholder Communications Policy, a copy of which can be found on the Company's website. The purpose of the Shareholder Communications Policy is to promote effective communication with shareholders and encourage effective participations at general meetings of the Company.

The Company's primary communication portals for shareholders are its website, Annual Report, Annual General Meeting, Half-Yearly Report, Monthly Net Tangible Asset reports and other periodic correspondence regarding matters impacting shareholders. In conjunction with these, the Company has regular investor relations meetings, which are all included in the Investor Relations Program.

The Company Secretary oversees and coordinates the distribution of all information by the Company to shareholders and regulators under the direction of the Board.

All shareholders have the opportunity to attend the Annual General Meeting and ask questions of the Board. During the current COVID-19 pandemic it is proposed that investor and shareholder meetings will be held as virtual meetings, using conventional video-conferencing platforms.

All resolutions at virtual or hybrid meetings of shareholders of the Company and all resolutions which the Company considers to be substantive are conducted by poll.

During the Company's engagements with shareholders, such shareholders are provided the opportunity to meet with representatives of the Board or management, to learn more about the Company's activities and provide an opportunity to ask questions regarding the Company's activities. Such processes are intended to continue in the context of virtual rather than just physical meetings.

Shareholders are entitled to make and receive communication to and from the Company electronically as per the Shareholder Communications Policy.

The Board believes that the Company is fully compliant with its requirements under Principle 6 and its recommendations.

#### **Principle 7: Recognise and manage risk**

The Audit Committee oversees the risk management framework for the Company. For details regarding the Audit Committee please refer above to the coverage under Principle 4.

The Board, through the Audit Committee, is responsible for ensuring:

- the oversight and management of material business risks to the Company;
- that there are effective systems in place to identify, assess, monitor and manage the risks of the Company and to identify material changes to the Company's risk profile; and
- there are arrangements in place to adequately monitor compliance with laws and regulations applicable to the Company.

The Manager has implemented the risk management framework for the Company. This risk management framework identifies the key risks confronted by the Manager and the Company and the procedures required to offset them. Key risks identified include:

- operational and investment risk; and
- liquidity risk

The risk management framework is subject to annual review by the Audit Committee to ensure that the risks identified and the controls implemented remain appropriate and that the Company's risk management framework continues to be sound. A review of the Company's risk management framework was conducted during the reporting period.

The Company does not have an internal audit function. The internal audit function is undertaken by an external audit provider on the Company's behalf. The Audit Committee is responsible for overseeing the scope of the internal audit, monitoring the progress of the internal audit work programme and considering the implications of and responsiveness to the internal audit findings for the control environment and reviewing the internal audit team's reports.

Poor market conditions (and more specifically the potential for underperformance by the Company) have been identified as an economic sustainability risk that has the potential to materially impact the Company's ability to create or preserve value for security

holders over the short, medium or long term. This risk is addressed and managed within the Company's investment strategy and through the Company's ability to diversify across sectors and in both listed and unlisted securities.

The Company does not consider that it has material exposure to environmental or social risks.

The Board believes that the Company is fully compliant with its requirements under Principle 7 and its recommendations.

**Alternative Principle 8: Remunerate fairly and responsibly**

The Company has no employees. The management of the Company is performed by the Manager who is entitled to be paid management and performance fees. The Company pays the Manager a management fee of 0.95% p.a. (plus GST) of the net asset value of the investment portfolio. The management fee is calculated and accrued each month and paid semi-annually in arrears.

In addition, the Manager will be entitled to receive a performance fee from the Company equal to 20% (plus GST) of the investment portfolio's outperformance of the S&P/ASX Small Ordinaries Accumulation Index, which is calculated and accrued monthly on a pre-tax basis and, where tests are satisfied, any positive performance fee amounts that are in excess of the minimum performance fee account balance (as defined in the Management Agreement) are paid annually.

Further details of the fees paid to the Manager for the reporting period are set out in the Financial Statements of the Company in note 15.

The Board believes that the Company is fully compliant with the alternate requirements under Principle 8 and its recommendations.

Recommendations 8.1 – 8.3 are not applicable to the Company.

**Principle 9: Additional recommendations**

Recommendations 9.1 – 9.3 are not applicable to the Company.

## Directors' report

The directors of Acorn Capital Investment Fund Limited (the "Company"), present their report together with the financial statements of the Company for the period from 1 July 2019 to 30 June 2020 (the "reporting period").

Acorn Capital Investment Fund Limited is a public company limited by shares, is incorporated in Australia and listed on the ASX.

### Directors

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

John Steven (Chairman and Independent Non-Executive Director)	Appointed 6 March 2014
Judith Smith (Independent Non-Executive Director)	Appointed 6 March 2014
David Trude (Independent Non-Executive Director)	Appointed 6 March 2014
Robert Brown (Director)	Appointed 6 March 2014
Barry Fairley (Director)	Appointed 10 February 2014

### Principal activities

The principal activity of the Company is to invest in a portfolio of listed and unlisted microcap companies. The investment manager is Acorn Capital Limited (the Manager), an established boutique asset manager with a long track record of successfully investing in microcap companies.

### Review and results of operations

During the reporting period, the Company continued to invest funds in accordance with its governing documents.

During March 2020, COVID-19 was declared a global pandemic. COVID-19, and the resulting impact on economic activity, have since had significant impact on world equity, debt and commodity markets with increased volatility in global markets due to economic uncertainty.

The most appropriate measure of the Company's financial performance is total comprehensive income/(loss). Total comprehensive income/(loss) for the reporting period ended 30 June 2020 was \$2,040,618 (2019:\$(566,686)). Total comprehensive income/(loss) includes the profit/(loss) after tax and both realised and unrealised gains/(losses) on the Company's investments.

The Company's profit/(loss) before income tax for the reporting period was \$2,546,615 (2019: \$(1,387,432)).

The profit/(loss) after income tax for the reporting period was \$2,040,618 (2019: \$(566,686)).

Basic earnings/(loss) per share after income tax were 3.83 cents for the reporting period (2019: (1.07) cents).

	For the reporting period ended 30 June 2020	For the reporting period ended 30 June 2019
	\$'000	\$'000
Profit/(loss) before income tax expense	<b>2,547</b>	(1,388)
Income tax (benefit)/expense	<u>506</u>	<u>(821)</u>
Profit/(loss) after income tax attributable to the owners of the Company	<u>2,041</u>	<u>(567)</u>
Equity	<u>61,324</u>	<u>62,591</u>

**Review and results of operations (continued)**

<b>Net Tangible Asset Backing (NTA) per share</b>	<b>As at 30 June 2020 (non-IFRS)</b>	
	<b>For monthly NTA Reporting \$/share</b>	<b>For Financial Reporting \$/share</b>
NTA per share before income tax (\$/share)	<b>1.1696</b>	<b>1.1711</b>
NTA after income tax excluding tax on unrealised gains (\$/share)	<b>1.1824</b>	<b>1.1827</b>
NTA per share after income tax (\$/share)	<b>1.1422</b>	<b>1.1436</b>

<b>Net Tangible Asset Backing (NTA) per share</b>	<b>As at 30 June 2019 (non-IFRS)</b>	
	<b>For monthly NTA Reporting \$/share</b>	<b>For Financial Reporting \$/share</b>
NTA per share before income tax (\$/share)	1.2196	1.2211
NTA after income tax excluding tax on unrealised gains (\$/share)	1.2027	1.2042
NTA per share after income tax (\$/share)	1.1786	1.1801

The NTA per ordinary share for monthly NTA reporting, as required by ASX Listing Rule 4.12, is calculated in accordance with the definition of "net tangible asset backing" contained in Chapter 19 of the ASX Listing Rules.

For further details on the reconciliation of net tangible assets used in calculation of net tangible assets per ordinary share for ASX reporting, refer to Note 18.

<b>Dividends</b>	<b>cents per share</b>	<b>\$'000</b>
2020 Interim Dividend (ordinary shares) paid 25 May 2020	3.75	2,001
2020 Final Dividend (ordinary shares) payable on 27 November 2020	<u>3.75</u>	<u>2,011</u>

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs during the reporting period.

**Events occurring after end of the year**

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

- (a) the Company's operations in the future reporting period, or
- (b) the results of those operations in the future reporting period, or
- (c) the Company's state of affairs in the future reporting period.

However, we acknowledge that market conditions are likely to remain challenging given the evolving nature of the COVID-19 pandemic, and the global response.

### **Business strategies, prospects and likely developments**

The Chairman's Review and Investment Manager's Review set out information on the Company's operations, financial position and business strategies.

The results of the Company's operations and prospects for financial years may be affected by a number of factors, including the performance of investment markets in which the Company invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Information in the Chairman's Review and Investment Manager's Review and this Directors' Report is provided to enable shareholders to make an informed assessment about the business, strategies and prospects for future financial years of the Company. Information that could give rise to likely material detriment to the Company, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included. Other than the information set out in the Chairman's and Investment Manager's Review and this Directors' Report, information about other likely developments in the Company's operations and the expected results of these operations in future financial years has not been included.

### **Environmental regulations**

The operations of the Company are not subject to any particular environmental regulations under a Commonwealth, State or Territory Law.

### **Information on Directors**

The following persons were Directors of the Company during the financial year and up to the date of this report:

<b>Name</b>	<b>Title</b>	<b>Appointment date</b>
John Steven	Chairman and Independent Non-Executive Director	6 March 2014
Judith Smith	Independent Non-Executive Director	6 March 2014
David Trude	Independent Non-Executive Director	6 March 2014
Robert Brown	Director	6 March 2014
Barry Fairley	Director	10 February 2014

#### **John Steven** (Chairman and Independent Non-Executive Director)

John Steven is a senior partner of the National Capital Markets and Commercial Business Unit of Minter Ellison and until recently was a member of the firm's Executive Leadership Team and Board. He practices in the corporate and capital markets area, particularly public and private mergers and acquisitions, capital raisings and government projects. He also has an extensive general corporate practice. John is on the Advisory Board of various not for profit organisations. He was previously a Board Member of the Monash University Law Foundation. He holds a Bachelor of Laws (with Honours), a Bachelor of Economics and a Diploma of Commercial Law from Monash University.

#### *Other current Directorships*

Nil

#### *Former Directorships in the last 3 years*

Nil

#### *Special responsibilities*

John is the Chairman of the Board. John is also a member of the Audit Committee.

#### *Interests in shares of the Company*

Details of John's interests in the Company are included on page 19 of this report.

## Information on Directors (continued)

### **Judith Smith** (Independent Non-Executive Director)

Prior to undertaking non executive roles Judith was formerly the Head of Private Equity at IFM Investors and Chair of the IFM Risk Committee. Judith was also a member of the IFM Investment Committee, a role she has retained following her retirement from the firm. At IFM Judith managed a multi-billion private equity portfolio of domestic and global investments. Prior to her role at IFM, Judith held various investment management roles. Judith holds a Master of Applied Finance from the University of Melbourne and a Bachelor of Economics (with Honours) from Monash University. She is a Fellow of the Financial Services Institute of Australasia and Graduate member of the Australian Institute of Company Directors. Judith is a director of LUCRF, Scale Investors, Funds SA and Universal Bisensors Inc. and holds committee roles at IFM and the South Australian Venture Capital Fund.

#### *Other current Directorships*

LUCRF, Scale Investors, Funds SA, Universal Bisensors Inc.

#### *Former Directorships in the last 3 years*

Nil

#### *Special responsibilities*

Judith is chair of the Audit Committee.

#### *Interests in shares of the Company*

Details of Judith's interests in the Company are included on page 19 of this report.

### **David Trude** (Independent Non-Executive Director)

David is a senior banking executive with over 40 years' experience in a variety of financial services roles in the banking and securities industry. He is Chairman of Waterford Retirement Village, Hansen Technologies Limited and is a member of the board of Chi-X Australia Pty Ltd and MSL Solutions Ltd. He was Chairman of E.L. & C. Baillieu, a position he held from 2010 to 2019 and a Member of the Board from 2007. He was also formerly the Managing Director, Australian Chief Executive Officer/Country Manager of Credit Suisse Australia Ltd. He was also a former panel member of the ASX Disciplinary Tribunal and Director of the Stockbrokers Association of Australia.

David holds a Bachelor of Commerce from the University of Queensland and is a Master Stockbroker of the Stockbrokers and Financial Advisers Association of Australia and Member of the Australian Institute of Company Directors.

#### *Other current Directorships*

David is Chairman of Hansen Technologies Limited and a Director of MSL Solutions Ltd.

#### *Former Directorships in the last 3 years*

Nil

#### *Special responsibilities*

David is a member of the Audit Committee.

#### *Interests in shares of the Company*

Details of David's interests in the Company are included on page 19 of this report.

### **Robert Brown** (Director)

Robert Brown is an independent Director of the Manager and is Chairman of its subsidiary Australian Microcap Investments Pty Ltd. He is an emeritus professor of Finance in the Department of Finance, University of Melbourne, where his research has focused on security market behaviour. He holds a Bachelor of Economics (with Honours) and Master of Economics from the University of Sydney and a Graduate Diploma in Accounting from Victoria College. He is a fellow of CPA Australia and a senior fellow of the Financial Services Institute of Australasia.

#### *Other current Directorships*

Acorn Capital Ltd, Australian Microcap Investments Pty Ltd, Acorn Capital GP Pty Ltd.

#### *Former Directorships in the last 3 years*

Nil

#### *Special responsibilities*

Nil

#### *Interests in shares of the Company*

Details of Robert's interests in the Company are included on page 19 of this report.

**Information on Directors (continued)**

**Barry Fairley (Director)**

Barry Fairley is a director of the Manager. He is the founder and former managing director of the Manager and the architect of the company's investment philosophy, strategy and process. Prior to Acorn Capital Barry founded and took on the role of CEO of Triako Resources a listed mining and resource investment company. He was formerly a director of McIntosh securities where he was responsible for mining research and corporate activities.

Barry holds a Diploma in Mining Engineering.

*Other current Directorships*

Acorn Capital Ltd, Australian Microcap Investments Pty Ltd, Acorn Capital GP Pty Ltd.

*Former Directorships in the last 3 years*

Nil

*Special responsibilities*

Nil

*Interests in shares of the Company*

Details of Barry's interests in the Company are included on page 19 of this report.

**Company secretary**

**Matthew Sheehan**

Matthew Sheehan is an Investment Director with the Manager, responsible for the origination, assessment and ongoing management of unlisted investments, with a particular focus on the structuring and documentation of unlisted investments. He is also the Legal Counsel and Company Secretary of the Manager.

Matthew began his career as a private practice lawyer and worked at firms in Melbourne, New York and London. Prior to joining the Manager in April 2009, Matthew worked at Macquarie Group as the General Counsel and Company Secretary of Macquarie Communications Infrastructure Group and Macquarie Specialised Asset Management Limited.

Matthew holds a Bachelor of Economics (with Honours) from Monash University as well as a Bachelor of Laws (with Honours) and Master of Applied Finance from the University of Melbourne.

**Meeting of Directors**

The numbers of meetings of the Company's Board of Directors held during the reporting period ended 30 June 2020, and the number of meetings attended by each Director were:

	<b>Board Meetings Attended</b>	<b>Board Meetings Held</b>
John Steven	9	9
Judith Smith	9	9
David Trude	9	9
Robert Brown	9	9
Barry Fairley	8	9
	<b>Audit Committee Meetings Attended</b>	<b>Audit Committee Meetings Held</b>
John Steven	3	3
Judith Smith	3	3
David Trude	3	3

### Indemnification and insurance of Directors and officers

In accordance with the Company's Constitution, the Company indemnifies every person who is or has been an officer of the Company against any liability (other than for legal costs) incurred by that person as an officer of the Company (including liabilities incurred by the officer as a Director or secretary of a subsidiary of the Company where the Company requested the officer to accept that appointment), to the extent permitted by law and subject to the restrictions in section 199A of the *Corporations Act 2001* and any other applicable law.

The Company has also entered into deeds of indemnity, insurance and access with each Director. During the reporting period, the Company paid insurance premiums for liability incurred by a person as a Director while acting in that capacity, except where the liability arises out of conduct involving lack of good faith. Due to confidentiality obligations and undertakings of the insurance policy, no further details in respect of the premium or the policy can be disclosed.

### Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

During the year there were no additional engagements conducted by the auditor.

Details of the amounts paid or payable to the auditor (Ernst & Young) for audit services provided during the reporting period are set out below.

<b>For the reporting period ended</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
<b>Audit services</b>		
Audit and review of financial statements and other audit work under the <i>Corporations Act 2001</i>	<u>81,074</u>	<u>53,141</u>
<b>Total remuneration for audit services</b>	<b>81,074</b>	<b>53,141</b>

### Fees paid to and interests held in the Company by the Manager or its associates

Fees paid to the Manager out of Company property during the reporting period are disclosed in Note 15 of the financial statements.

No fees were paid out of Company property to the Directors of the Manager during the reporting period.

The number of interests in the Company held by the Manager or its associates as at the end of the reporting period are disclosed in Note 15 of the financial statements.

<b>Name</b>	<b>Ordinary Shares</b>
John Steven	75,000
Judith Smith	25,000
David Trude	30,000
Robert Brown	57,868
Barry Fairley	1,353,313

### Rounding of amounts

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that Class Order unless otherwise indicated.

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 20 and forms part of this Directors' report.

## Remuneration report (Audited)

This report details the remuneration policy and outcomes for key management personnel ("KMP") of the Company (as defined in AASB 124 *Related Party Disclosures*) for the year ended 30 June 2020. This remuneration report forms part of the Directors' Report and has been audited in accordance with the Corporations Act.

There is no remuneration paid to executives by the Company as their services are provided pursuant to an agreement with the Manager as disclosed below. The Company has no employees (only Non-Executive Directors) and therefore does not have a remuneration policy for employees. Accordingly, the Non-Executive Directors of the Company are the only members of KMP and this remuneration report outlines the remuneration policy and arrangements that are in place for Non-Executive Directors only. All Non-Executive Directors held their positions for the entire reporting period.

### *Remuneration policy*

The Board of Directors' policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required, subject to the Board's approval. No remuneration consultants were engaged during the reporting period and no remuneration recommendation was made.

### *Relationship between remuneration policy and the Company performance*

Remuneration of the Directors is not linked to the performance of the Company. The Non-Executive Directors are remunerated with set fees and do not receive any performance based pay. This enables the Directors to maintain independence and impartiality when making decisions affecting the future direction of the Company.

### *Remuneration arrangements*

The Independent Non-Executive Directors receive the following annual Director fees (inclusive of superannuation):

John Steven	\$60,000
Judith Smith	\$40,000
David Trude	\$40,000

Barry Fairley and Robert Brown are Directors of the Company and the Manager. They are remunerated by the Manager and do not receive Directors' fees or any other direct form of remuneration from the Company for their services.

### *Remuneration details for the reporting period ended 30 June 2020*

The Directors do not receive any benefits or remuneration other than Directors' fees and statutory superannuation.

Details of the remuneration of the Directors, the KMP of the Company are set out in the following tables:

Name	Period	Short-term benefits Cash salary and fees	Post-employment benefits Superannuation	Total
		\$	\$	\$
John Steven	<b>FY20</b>	<b>54,795</b>	<b>5,205</b>	<b>60,000</b>
	FY19	54,795	5,205	60,000
Judith Smith	<b>FY20</b>	<b>36,530</b>	<b>3,470</b>	<b>40,000</b>
	FY19	36,530	3,470	40,000
David Trude	<b>FY20</b>	<b>36,530</b>	<b>3,470</b>	<b>40,000</b>
	FY19	36,530	3,470	40,000
Robert Brown	<b>FY20</b>	-	-	-
	FY19	-	-	-
Barry Fairley	<b>FY20</b>	-	-	-
	FY19	-	-	-
<b>Total</b>	<b>FY20</b>	<b>127,855</b>	<b>12,145</b>	<b>140,000</b>
	FY19	127,855	12,145	140,000

### Director equity interests

The following table summarises the movements in the shareholdings of Non-Executive Directors (including their related parties) during the reporting period.

<b>Name</b>	<b>Ordinary Shares held at start of the reporting period</b>	<b>Other net change</b>	<b>Ordinary Shares held at end of the reporting period</b>
John Steven	75,000	-	75,000
Judith Smith	25,000	-	25,000
David Trude	30,000	-	30,000
Robert Brown	56,997	871	57,868
Barry Fairley	1,353,313	-	1,353,313

### Other transactions with key management personnel or entities related to them

No Director or their related parties have entered into a material contract with the Company since the last reporting date.

### Loans transactions and balances

The Company has not made, guaranteed or secured, directly or indirectly any loans to the Directors or their related parties during the reporting period.

The Directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



John Steven  
Chairman and Non-Executive Director  
Melbourne  
28 August 2020



Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000 Australia  
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000  
Fax: +61 3 8650 7777  
ey.com/au

## Auditor's Independence Declaration to the Directors of Acorn Capital Investment Fund Limited

As lead auditor for the audit of the financial report of Acorn Capital Investment Fund Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink that reads 'Ernst + Young' in a cursive, script font.

Ernst & Young

A handwritten signature in black ink that reads 'Brett Kallio' in a cursive, script font.

Brett Kallio  
Partner  
Melbourne  
28 August 2020

## Statement of comprehensive income

For the reporting period ended		30 June 2020 \$'000	30 June 2019 \$'000
	Notes		
<i>Revenue from ordinary activities</i>			
Interest income		672	444
Dividend/Distribution income	3	<u>392</u>	<u>475</u>
<b>Total revenue</b>		<b>1,064</b>	919
Net gains/(losses) on financial instruments held at fair value through profit or loss	4	<b>3,894</b>	(1,040)
Other income		<u>20</u>	<u>1</u>
<b>Total income/(loss)</b>		<b><u>4,978</u></b>	<b><u>(120)</u></b>
<b>Expenses</b>			
Management fees	15	658	658
Directors' fees	15	140	140
Performance fees	15	1,148	-
Auditor's remuneration	5	81	53
Brokerage expenses		133	92
Insurance		67	60
Share registry fees		63	61
ASX fees		40	40
Legal fees		2	36
Custody fees		38	30
Other expenses		<u>61</u>	<u>98</u>
<b>Total expenses</b>		<b>2,431</b>	1,268
<b>Profit/(loss) before income tax (benefit)/expense</b>		<b>2,547</b>	(1,388)
<b>Income tax (benefit)/expense</b>	6	<u>506</u>	<u>(821)</u>
<b>Profit/(loss) after the income tax for the reporting period attributable to the owners of the Company</b>		<b><u>2,041</u></b>	<b><u>(567)</u></b>
Other comprehensive income for the reporting period attributable to the owners of the Company		-	-
<b>Total comprehensive income/(loss) for the reporting period attributable to the owners of the Company</b>		<b><u>2,041</u></b>	<b><u>(567)</u></b>
<b>Earnings per share for profit/(loss) after income tax attributable to the owners of the ordinary shares of the Company:</b>			
Basic	13	<b>3.83</b>	(1.07)
Diluted	13	<b>3.83</b>	(1.07)

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

## Statement of financial position

As at		30 June 2020	30 June 2019
	Notes	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents	7	2,293	2,767
Receivables and Prepayments	8	877	892
Financial assets held at fair value through profit or loss	9	61,547	62,069
<b>Total assets</b>		<b>64,717</b>	65,728
<b>Liabilities</b>			
Payables	10	1,633	961
Provision for current income tax		-	922
Deferred tax liability	11	1,760	1,254
<b>Total liabilities</b>		<b>3,393</b>	3,137
<b>Net assets</b>		<b>61,324</b>	62,591
<b>Equity</b>			
Contributed equity	12	53,285	52,730
Accumulated losses		(14,768)	(9,297)
Dividend reserve		22,807	19,158
<b>Total equity attributable to owners of the Company</b>		<b>61,324</b>	62,591

*The above statement of financial position should be read in conjunction with the accompanying notes.*

## Statement of changes in equity

For the reporting period ended 30 June 2020	Contributed equity	Accumulated losses	Dividend reserve	Total equity
	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2019</b>	<b>52,730</b>	<b>(9,297)</b>	<b>19,158</b>	<b>62,591</b>
Contributed equity	217	-	-	217
Expenses associated with Option issue	(53)	-	-	(53)
Profit/(loss) after income tax for the reporting period attributable to the owners of the Company	-	(5,471)	7,512	2,041
<b>Total comprehensive income for the reporting period attributable to the owners of the Company</b>	<b>52,894</b>	<b>(14,768)</b>	<b>26,670</b>	<b>64,796</b>
<b>Transactions with owners in their capacity as owners:</b>				
Dividends paid	-	-	(3,863)	(3,863)
Dividends reinvested	391	-	-	391
<b>Balance at 30 June 2020</b>	<b>53,285</b>	<b>(14,768)</b>	<b>22,807</b>	<b>61,324</b>

For the reporting period ended 30 June 2019	Contributed equity	Accumulated losses	Dividend reserve	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	52,484	(4,680)	18,804	66,608
Contributed equity	42	-	-	42
Expenses associated with Option issue	(105)	-	-	(105)
(Loss)/profit after income tax for the reporting period attributable to the owners of the Company	-	(4,617)	4,050	(567)
<b>Total comprehensive income for the reporting period attributable to the owners of the Company</b>	<b>52,421</b>	<b>(9,297)</b>	<b>22,854</b>	<b>65,978</b>
<b>Transactions with owners in their capacity as owners:</b>				
Dividends paid	-	-	(3,696)	(3,696)
Dividends reinvested	309	-	-	309
<b>Balance at 30 June 2019</b>	<b>52,730</b>	<b>(9,297)</b>	<b>19,158</b>	<b>62,591</b>

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

## Statement of cash flows

For the reporting period ended		30 June 2020	30 June 2019
	Notes	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		39,271	32,155
Purchase of financial instruments held at fair value through profit or loss		(34,350)	(23,258)
Deferred consideration paid		-	(1,712)
Transaction costs on financial instruments held at fair value through profit or loss		(133)	(98)
Dividends / distribution income received		378	374
Interest received		19	50
Custody fees paid		(38)	(39)
Other income received		20	1
Tax paid		(1,208)	(1,684)
Operating expenses paid		<u>(1,125)</u>	<u>(1,486)</u>
<b>Net cash inflow from operating activities</b>	17(a)	<u>2,834</u>	<u>4,303</u>
<b>Cash flows from financing activities</b>			
Options exercised*		217	42
Transaction costs associated with options issue		(53)	(105)
Dividends paid		<u>(3,472)</u>	<u>(3,387)</u>
<b>Net cash outflow from financing activities</b>		<u>(3,308)</u>	<u>(3,450)</u>
<b>Net increase in cash and cash equivalents</b>			
		(474)	853
Cash and cash equivalents at the beginning of the reporting period		<u>2,767</u>	<u>1,914</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	7,17(b)	<u>2,293</u>	<u>2,767</u>

\* The options exercised relate to ACQ's short-term recurring option program, ASTRO, in accordance with the prospectus dated 31 July 2019. The options had an exercise price of \$1.23 and an issue date of 20 August 2019, with an expiration date of 11 November 2019.

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

## Contents

	<b>Page</b>
1 General information	26
2 Summary of significant accounting policies	26 - 34
3 Dividend/Distribution Income	34
4 Net gains/(losses) on financial instruments held at fair value through profit or loss	34
5 Auditor's remuneration	34
6 Income tax expense	35
7 Cash and cash equivalents	36
8 Receivables	36
9 Financial assets held at fair value through profit or loss	36
10 Payables	36
11 Deferred tax assets/(liabilities)	37
12 Contributed equity and movements in total equity	38
13 Earnings per share	38
14 Financial risk management	39 - 46
15 Related party transactions	46 -48
16 Operating segment information	48
17 Reconciliation of profit to net cash inflow/(outflow) from operating activities	49
18 Reconciliation of net tangible assets used in calculation of net tangible assets per ordinary share for ASX reporting	49 - 50
19 Dividends declared	50
20 Events occurring after the reporting period	50
21 Contingent assets and liabilities and commitments	50

## 1 General information

These financial statements cover Acorn Capital Investment Fund Limited (the **Company**) as an individual entity.

Acorn Capital Limited (**Manager**) is the Investment Manager of the Company. The Company has no employees (only Non-Executive Directors).

The Company is incorporated and domiciled in Australia.

The financial statements are presented in Australian dollars.

The financial statements are for the period from 1 July 2019 to 30 June 2020 (the **reporting period**).

The financial statements were authorised for issue by the Directors on 28 August 2020. The Directors of the Company have the power to amend and reissue the financial statements.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 in Australia.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Company is a for-profit entity for the purposes of preparing the financial statements.

The financial statements have been prepared on a historical-cost basis, except for financial assets and financial liabilities held at fair value through profit or loss (FVPL).

The Company is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission ("ASIC"), relating to the "rounding off" of amounts in the financial statements. The financial statements are presented in Australian dollars, which is the functional currency of the Company, and all values are rounded to the nearest thousand dollars (\$000) in accordance with the ASIC Class Order, except where otherwise indicated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within twelve months, except for investments in financial assets where the amount expected to be recovered within twelve months after the end of the reporting period cannot be reliably determined.

### (b) Financial instruments

#### Classification

In accordance with AASB 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

## **2 Summary of significant accounting policies (continued)**

### **(b) Financial instruments (continued)**

#### **Financial assets**

The Company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

#### *Financial assets measured at amortised cost*

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category short-term trade receivables including accrued income and other receivables.

#### *Financial assets measured at fair value through profit or loss (FVPL)*

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company includes in this category:

- *Debt instruments.* These include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains.
- *Instruments held for trading.* This category includes equity instruments and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

#### **Financial liabilities**

#### *Financial liabilities measured at amortised cost*

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category short-term payables, such as accrued operating expenses and unsettled trades.

#### **(i) Recognition**

The Company recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### **(ii) Initial measurement**

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss. Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

## **2 Summary of significant accounting policies (continued)**

### **(iii) Subsequent measurement**

After initial measurement, the Company measures financial instruments which are classified as at FVPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVPL in the statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue and dividend revenue in the statement of comprehensive income.

Debt instruments, other than those classified as at FVPL, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method (EIR) is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

### **(iv) Derecognition**

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Company has:

- (a) Transferred substantially all of the risks and rewards of the asset; or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

### **(c) Impairment of financial assets**

The Company holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under AASB 9 to all its trade receivables. Therefore the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

### **(d) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

## **2 Summary of significant accounting policies (continued)**

### **(e) Fair Value measurement**

The Company measures its investments in financial instruments, such as equity instruments, convertible notes and derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

For assets and liabilities that are measured at fair value on a recurring basis, the Company identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the end of each reporting period.

### **(f) Functional and presentation currency**

The functional currency is the currency of the primary economic environment in which the Company operates. The majority of the Company's returns are Australian dollar-based, the capital is raised in Australian dollars, the performance is evaluated and its liquidity is managed Australian dollars. Therefore, the Company concludes that the Australian dollar is its functional currency.

The Company's presentation currency is also the Australian dollar.

### **(g) Foreign currency translations**

Foreign currency transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transaction gains and losses on financial instruments classified as at FVPL are included in profit or loss in the statement of comprehensive income as part of the 'net gain or loss on financial assets and liabilities at fair value through profit or loss'.

### **(h) Amounts due to and from brokers**

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date. Refer to the accounting policy for financial liabilities, other than those classified as at FVPL, for recognition and measurement.

Amounts due from brokers are receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date. Refer to the accounting policy for loans and receivables for recognition and measurement.

## **2 Summary of significant accounting policies (continued)**

### **(i) Share capital**

Ordinary shares are classified as equity. Issued and paid up equity is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of new shares or options (that vest immediately) are shown in equity as a deduction from the proceeds.

If the entity reacquires its own equity instruments, for example as the result of a share buy back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs is recognised directly in equity.

The authorised share capital of the is fully paid and listed on the Australian Securities Exchange. The Company's capital is represented by these shares.

### **(j) Dividends to shareholders**

Dividends are at the discretion of the Company. A dividend to the Company's shareholders is accounted for as a deduction from the dividend reserve. Dividends are recognised as a liability in the period in which it is irrevocably declared by the Board of Directors.

The Company has a dividend reserve for the purpose of reserving profits to allow the Company to declare dividends. Profit for the six-month period is added to the Dividend Reserve at 31 December and 30 June each year and dividends paid are deducted from the reserve on the payment date. Losses recorded for the six-month period at 31 December and 30 June each year are transferred to the Accumulated Losses Reserve.

Dividends are declared by the Board of Directors in accordance with the *Corporations Act 2001* section 254T.

The Company has a dividend reinvestment program ("DRP") which applies to dividends, details of which are on the company website.

### **(k) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits held under the custody of BNP Paribas that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

### **(l) Receivables**

Receivables may include such items as Reduced Input Tax Credits (RITC), amounts for dividends, interest and securities sold where settlement has not yet occurred. Dividends are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in Note 2(c) above.

### **(m) Payables**

Payables include liabilities and accrued expenses owing by the Company which are unpaid as at the end of the period. Trades are recorded on trade date and normally settled within two business days. Purchases of financial instruments that are unsettled at the end of each year are included in payables.

### **(n) Earnings per share**

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the reporting period.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## **2 Summary of significant accounting policies (continued)**

### **(o) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the Australian corporate income tax rate (27.5%) adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 those tax rates applicable to the Company. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting or taxable profit or loss.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company may incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

Income tax expense or revenue is recognised in the statement of comprehensive income.

Current and deferred tax balances are recognised in the statement of financial position.

### **(p) Revenue**

#### *Interest revenue*

Interest revenue recognised in the statement of comprehensive income for all interest-bearing financial instruments on an accruals basis when the amount can be reliably measured and receipt is probable.

#### *Dividend revenue*

Dividend revenue is recognised on the date when the Company's right to receive the payment is established.

Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income.

### **(q) Net gain or loss on financial assets and liabilities at fair value through profit or loss**

Net gains or losses on financial assets and liabilities at FVPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses for financial instruments which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at FVPL are calculated using the average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount.

### **(r) Expenses**

Expenses are recognised on an accrual basis.

## **2 Summary of significant accounting policies (continued)**

### **(s) Goods and Services Tax (GST)**

Expenses relating to various services provided to the Company by third parties such as custodial services and investment management fees etc. are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case, it is recognised as part of the related expense or cost item.

Accounts payable and receivable are stated inclusive of the GST receivable and payable. The net amount of GST recoverable from, or payable to, the taxation authority is included in receivables or payables in the statement of financial position.

### **(t) Operating Segment Information**

The Company operates in Australia only and the principal activity is investment. For details, refer to Note 16 on page 48.

### **(u) Changes in accounting policies and disclosures**

#### **New and amended standards and interpretations**

The company applied, for the first time, certain interpretations and amendments, which are effective for annual periods beginning on or after 1 January 2019.

The nature and impact of each new interpretation and amendment is described below:

#### **AASB Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Company has applied the interpretation from 1 July 2019. The application of this interpretation did not have an impact on the Company's financial statements.

#### **AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle**

##### *AASB 112 Income Taxes*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The adoption of these amendments from 1 July 2019 did not have an impact on the Company's financial statements.

#### **Amendments to AASB 9: Prepayment features with Negative Compensation**

Under AASB 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to AASB 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

## **2 Summary of significant accounting policies (continued)**

### **(v) Significant accounting judgements, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### **Judgements**

The preparation of the Company's financial statements requires it to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. However, estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company's financial instruments are valued primarily based on the prices provided by independent pricing services. When the fair values of the reported financial instruments cannot be derived from active markets, they are determined using prices obtained from inactive or unquoted markets and/or other valuation techniques. The inputs to these valuation techniques (if applicable) are taken from observable markets to the extent practicable. Where observable inputs are not available, the inputs may be estimated based on a degree of judgments and assumptions in establishing fair values.

Where appropriate, the outcomes of the valuation techniques that are used in establishing fair values are validated using prices from observable current market transactions for similar instruments (without modification or repackaging) or based on relevant available observable market data.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

In addition, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates and judgments. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers, accounts payable and accounts receivable, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

#### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

As at 30 June 2020, the Company has measured investment securities at their fair value through profit or loss. Listed securities are valued based on unadjusted observable market prices. These prices reflect the increased volatility resulting from the ongoing COVID-19 pandemic.

Given the dynamic and evolving nature of COVID-19, as well as limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes have been applied in the measurement of the Company's unlisted investments.

The impact of COVID-19 on the macroeconomic outlook, including an explanation of the matters considered in determining the Company's inputs for the purposes of Level 3 investments, has been outlined in Note 14 (g) to the financial statements. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of how COVID-19 and its social and economic consequences will flow, these matters represent reasonable and supportable forward-looking views as at the reporting date.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

#### **Fair value**

For fair value of financial instruments, please refer to Note 14(f).

#### **Taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign withholding tax. Differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. As the Company assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

## 2 Summary of significant accounting policies (continued)

### (w) Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below, except for those standards which, in the opinion of the Board, will clearly not impact the Company. The Company intends to adopt these standards, if applicable, when they become effective.

#### Amendments to AASB 101 and AASB 108: Definition of Material

In October 2018, the AASB issued amendments to AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

The amendments to the definition of material are applicable for reporting periods beginning on or after 1 January 2020, and are not expected to have a significant impact on the Company's financial statements upon application for the period beginning 1 July 2020.

## 3 Dividend/Distribution income

For the reporting period ended	30 June 2020	30 June 2019
	\$'000	\$'000
Dividends	378	475
Trust Distributions	<u>14</u>	<u>-</u>
	<b>392</b>	<b>475</b>

## 4 Net gains/(losses) on financial instruments held at fair value through profit or loss

For the reporting period ended	30 June 2020	30 June 2019
	\$'000	\$'000
Net unrealised gain/(loss) on financial assets designated at fair value through profit or loss	3,666	(8,345)
Net realised gain on financial assets designated at fair value through profit or loss	<u>228</u>	<u>7,305</u>
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<b>3,894</b>	<b>(1,040)</b>

## 5 Auditor's remuneration

During the reporting period the following fees were paid or payable for services provided by the auditor to the Company, its related parties and non-related audit firms:

For the reporting period ended	30 June 2020	30 June 2019
	\$	\$
<b>(a) Audit services</b>		
Audit and review of financial statements and other audit work under the Corporations Act 2001	<u>81,074</u>	<u>53,141</u>
<b>Total remuneration for audit services</b>	<b>81,074</b>	<b>53,141</b>
<b>Total auditor's remuneration</b>	<b>81,074</b>	<b>53,141</b>

## 6 Income tax expense

For the reporting period ended	30 June 2020	30 June 2019
	\$'000	\$'000
(a) Income tax expense recognised in profit or loss		
Current income tax (benefit)/expense	-	1,710
Deferred tax expenses/(benefit)	<u>506</u>	<u>(2,531)</u>
	506	(821)
Deferred income tax expense included in tax expense comprises:		
Increase in deferred tax assets	(298)	-
Increase/(decrease) in deferred tax liabilities due to changes in unrealised portfolio gains	<u>804</u>	<u>(2,531)</u>
	506	(2,531)
(b) Numerical reconciliation of tax expense to prima facie tax payable		
Profit/(loss) before income tax (benefit)/expense	2,547	(1,388)
Tax at the Australian tax rate of 27.5% (2019: 27.5%)	700	(382)
Tax effect of amounts which are assessable (not deductible) in calculating taxable income	(69)	(123)
Change in company tax rate	<u>(125)</u>	<u>(316)</u>
Income tax expense	506	(821)
(c) Tax losses		
Unused income tax losses for which no deferred tax asset has been recognised	-	-
(d) Unrecognised temporary differences		
Temporary differences for which deferred tax liabilities have not been recognised	-	-
Unrecognised deferred tax liabilities relating to the above temporary differences	-	-

## 7 Cash and cash equivalents

As at	30 June 2020	30 June 2019
	\$'000	\$'000
Cash and cash equivalents	<u>2,293</u>	<u>2,767</u>
	2,293	2,767

## 8 Receivables

As at	30 June 2020	30 June 2019
	\$'000	\$'000
Dividends receivable	8	-
Distributions receivable	7	-
Interest receivable	-	1
Trade receivables	417	821
GST claimable	98	15
Prepaid expenses	61	55
Tax instalments refundable	<u>286</u>	<u>-</u>
<b>Total receivables</b>	<u>877</u>	<u>892</u>

Trade receivables are unsettled sales of investments and are generally receivable within two business days.

## 9 Financial assets held at fair value through profit or loss

As at	30 June 2020	30 June 2019
	\$'000	\$'000
<b>Designated at fair value through profit or loss</b>		
Listed equities	38,344	43,714
Unlisted equities	21,236	16,266
Convertible notes	<u>1,967</u>	<u>2,089</u>
Total designated at fair value through profit or loss	61,547	62,069
<b>Total financial assets held at fair value through profit or loss</b>	61,547	62,069

An overview of the risk exposures relating to financial assets held at fair value through profit or loss is included in Note 14.

## 10 Payables

As at	30 June 2020	30 June 2019
	\$'000	\$'000
Outstanding settlements payable	24	567
Management fees payable	323	344
Performance fees payable	1,232	-
Accrued expenses payable	<u>53</u>	<u>50</u>
<b>Total payables</b>	1,632	961

On 14 December 2017, the Company purchased a portfolio of securities (refer to ASX announcement on 14 December 2017 for full details). Upon the liquidation of the portfolio for cash, and subject to ACQ generating a return above a pre-agreed threshold, 30% of cash receipts from such sale of the portfolio are payable. This amount will be paid at the election of ACQ, in either cash or ACQ shares, at the same post-tax NTA as the shares comprising the initial consideration payment were issued. The liability related to the earn-out as at balance date is nil (2019: nil).

## 11 Deferred tax assets/(liabilities)

As at	30 June 2020 \$'000	30 June 2019 \$'000
The balance comprises temporary differences attributable to:		
<b>Amount recognised in profit or loss</b>		
Tax losses	292	-
Unclaimed incorporation expenses carried forward	27	24
Other deferred tax assets/(liabilities) - unrealised portfolio gains	<u>(2,079)</u>	<u>(1,278)</u>
Total deferred tax assets/(liabilities)	(1,760)	(1,254)
Set off of deferred tax liabilities pursuant to set-off provisions	<u>-</u>	<u>-</u>
Net deferred tax assets/(liabilities)	(1,760)	(1,254)
<b>Movements</b>		
Opening balance	(1,254)	(3,785)
Credited/(charged) to profit or loss	<u>(506)</u>	<u>2,531</u>
<b>Closing balance at 30 June</b>	(1,760)	(1,254)
Gross up for deferred tax liabilities netted off	<u>-</u>	<u>-</u>
Gross deferred tax assets/(liabilities)	(1,760)	(1,254)
Deferred tax assets/(liabilities) to be settled after more than 12 months	(1,760)	(1,254)
Deferred tax assets/(liabilities) to be settled within 12 months	<u>-</u>	<u>-</u>
	(1,760)	(1,254)

## 12 Contributed equity and movements in total equity

As at	30 June 2020 No.'000	30 June 2019 No.'000
(a) Share capital		
Ordinary shares		
Fully paid	<b>53,623</b>	53,038
(b) Movements in shares on issue:		
Opening balance	<b>53,038</b>	52,711
Equity issued	<b>177</b>	35
Distributions reinvested	<b>408</b>	292
Closing balance	<b>53,623</b>	53,038

### (c) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

### (d) Capital risk management

The Company's policy is to maintain an appropriate level of liquidity in the Company's shares.

To achieve this, the Board of Directors monitor monthly NTA results, investment performance, the Company's management expenses and share price movements.

## 13 Earnings per share

For the period ending	30 June 2020 \$'000	30 June 2019 \$'000
(a) Earnings/(loss)		
Profit/(loss) after income tax attributable to the owners of the Company (\$'000)	<b>2,041</b>	(567)
Earnings/(loss) used in calculating basic and diluted earnings per share (\$'000)	<b>2,041</b>	(567)
(b) Earnings/(loss) per share		
Basic earnings per share (cents)	<b>3.83</b>	(1.07)
Diluted earnings per share (cents)	<b>3.83</b>	(1.07)
(c) Number of shares		
Weighted average number of shares used in the calculation of basic earnings per share	<b>53,261,053</b>	52,827,744
Weighted average number of shares used in the calculation of diluted earnings per share	<b>53,261,053</b>	52,827,744

## 14 Financial risk management

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

The Company's activities may expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Company's overall risk management program focuses on ensuring compliance with the Company's disclosure documents and seeks to maximise the returns derived for the level of risk to which the Company is exposed. Financial risk management is carried out by the Manager under policies approved by the Board.

### (b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: price risk, foreign currency risk and interest rate risk. Market risk is managed via portfolio diversification, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The market risk disclosures are prepared on the basis of the Company's direct investments and not on a look-through basis.

The sensitivity of the Company's total equity and profit/(loss) to price risk, foreign exchange risk and interest rate risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and foreign exchange rates, historical correlation of the Company's investments with the relevant benchmarks and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Company invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

At 30 June 2020, the overall market exposures were as follows:

As at	30 June 2020 \$'000	30 June 2019 \$'000
<b>Securities at fair value through profit or loss</b>	<b>61,547</b>	62,069
	<b>61,547</b>	62,069

#### (i) Price risk

Price risk is the risk that the fair value or future cash flows of equities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Price risk exposure arises from the Company's investment portfolio. The investments are classified on the statement of financial position as held at fair value through profit or loss. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited, however the Company does not engage in short selling.

The Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Board.

The Company's overall market positions are monitored on a regular basis by the Company's Manager. This information is reported to the relevant parties on a regular basis and ultimately the Board.

At 30 June 2020, if the equity prices had increased/(decreased) by the percentage indicated below, with all other variables held constant, the total equity and profit/(loss) would have changed by the following amounts, approximately and respectively:

As at	30 June 2020 Increased by 10% \$'000	30 June 2020 Decreased by 10% \$'000	30 June 2019 Increased by 10% \$'000	30 June 2019 Decreased by 10% \$'000
<b>Increase/(decrease) in total equity (and profit/(loss) for the reporting period attributable to the owners of the Company)</b>	<b>6,155</b>	<b>(6,155)</b>	6,207	(6,207)

## 14 Financial risk management (continued)

### (b) Market risk (continued)

#### (ii) Foreign exchange risk

The foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company holds assets denominated in currencies other than the Australian dollar, the functional currency. It is therefore exposed to foreign exchange risk, as the value of the future cash flows of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

In accordance with the Company's policy, the Investment Manager monitors the Company's currency position on a regular basis. This information and the compliance with the Company's policy are reported to the relevant parties on a regular basis as deemed appropriate and ultimately to the Board.

The foreign exchange risk disclosures have been prepared on the basis of the Company's direct investments and not on a look through basis for investments held indirectly through unit trusts.

When the Investment Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Company, the Investment Manager factors that into its portfolio allocation decisions. While the Company has direct exposure to foreign exchange rate changes on the price of non-Australian dollar denominated securities, it may also be indirectly affected for example, by the impact of foreign exchange rate changes on the earnings of certain entities in which the Company invests, even if those entities' securities are denominated in Australian dollars. For that reason, the sensitivity analysis may not necessarily indicate the total effect on total equity and profit/(loss) of future movements in foreign exchange rates.

At 30 June 2020, had the Australian dollar weakened/strengthened as illustrated below against the various currencies to which the Company is exposed, with all other variables held constant, the total equity and profit/(loss) would have changed by the following amounts, approximately and respectively:

	AUD Weakened		AUD Strengthened	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
AUD/GBP 2020 10% (2019: 10%)	-	8	-	(8)
AUD/USD 2020 10% (2019: 10%)	81	63	(81)	(63)
AUD/NZD 2020 10% (2019: 10%)	38	-	(38)	-

#### (iii) Interest rate risk

There was no significant direct interest rate risks in the Company as at 30 June 2020 (2019: Nil).

### (c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from investments in debt securities. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions, tax instalments and other receivables.

With respect to credit risk arising from the financial assets of the Company, the Company's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these investments as disclosed in the statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Counterparty credit limits and the list of authorised brokers are reviewed by the relevant parties within the Company on a regular basis as deemed appropriate.

In accordance with the Company's policy, the Investment Manager monitors the Company's credit position on a regular basis. This information and the compliance with the Company's policy are reported to the relevant parties on a regular basis and ultimately the Board.

## 14 Financial risk management (continued)

### (d) Concentrations of risk

Concentrations of risk arise when a number of financial instruments are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic conditions. These similarities would cause the counterparties' liabilities to meet the contractual obligations to be similarly affected by certain changes in the risk variables.

The concentrations of risk are monitored by the Manager to ensure they are within acceptable limits by reducing the exposures or by other means as deemed appropriate.

Concentrations of risk are managed by industry sector for equity instruments and by counterparty for debt instruments.

Based on the concentrations of risk that are managed by industry sector, the following investments can be analysed by the industry sector as at 30 June 2020 and 30 June 2019:

As at	30 June 2020 \$'000	30 June 2020 %	30 June 2019 \$'000	30 June 2019 %
Materials	15,492	25.17	11,954	19.28
Financials	9,553	15.52	9,974	16.09
Consumer Discretionary	8,480	13.78	8,664	13.97
Information Technology	4,841	7.87	7,709	12.43
Industrials	8,861	14.40	5,326	8.59
Health Care	8,057	13.09	7,998	12.90
Energy	1,478	2.40	4,220	6.81
Consumer Staples	2,232	3.63	3,592	5.79
Communication Services	2,553	4.15	2,204	3.56
Utilities	-	-	428	0.69
<b>Total</b>	<b>61,547</b>	<b>100</b>	<b>62,069</b>	<b>100</b>

## 14 Financial risk management (continued)

### (e) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. This risk is controlled through the Company's investment in financial instruments that under normal market conditions are readily convertible to cash. In addition, the Company maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Company's investments include listed securities that are considered readily realisable, as they are listed on recognised stock exchanges.

The Company may invest in unlisted equities that expose the Company to the risk that the Company may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

In accordance with the Company's policy, the Manager monitors the Company's liquidity position on a regular basis. This information and the compliance with the Company's policy are reported to the relevant parties on a regular basis as deemed appropriate and ultimately to the Board.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	More than 12 months \$'000
<b>As at June 2020</b>				
<b>Financial liabilities:</b>				
Accrued expenses payable	-	53	-	-
Management fees payable	-	323	-	-
Performance fees payable	-	1,232	-	-
Outstanding settlements payable	<u>24</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial liabilities</b>	<b>24</b>	<b>1,608</b>	<b>-</b>	<b>-</b>

	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	More than 12 months \$'000
<b>As at June 2019</b>				
<b>Financial liabilities:</b>				
Accrued expenses payable	-	50	-	-
Management fees payable	-	344	-	-
Performance fees payable	-	-	-	-
Outstanding settlements payable	<u>567</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial liabilities</b>	<b>567</b>	<b>394</b>	<b>-</b>	<b>-</b>

## 14 Financial risk management (continued)

### (f) Estimation of fair values of financial assets and liabilities

The carrying amounts of all the Company's financial assets and financial liabilities at the end of the reporting period approximated their fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company's accounting policy on fair value measurement is set out in Note 2(e). The methods and assumptions used in the determination of the fair value of each class of financial instruments is also set out in Note 2(e).

Note 2(v) outlines further the nature of management's judgments, estimates and assumptions that might have been used in the determination of the fair values of these financial instruments.

### (g) Fair value hierarchy

The Company is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); quoted prices for similar securities in active and/or inactive markets; market-corroborated inputs; inputs that are developed based on available market data and reflect assumptions that markets would use when pricing similar securities.
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Company. The Company considers observable data to be the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

All fair value measurements disclosed are recurring fair value measurements.

The table below sets out the Company's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

All fair value measurements disclosed are recurring fair value measurements. All other assets and liabilities are carried at a reasonable approximation of fair value.

As at 30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets held at fair value through profit or loss</b>				
Listed equities	38,344	-	-	38,344
Unlisted equities	-	-	21,236	21,236
Convertible notes	-	-	1,967	1,967
<b>Total</b>	<b>38,344</b>	<b>-</b>	<b>23,203</b>	<b>61,547</b>
As at 30 June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets held at fair value through profit or loss</b>				
Listed equities	43,714	-	-	43,714
Unlisted equities	-	-	16,266	16,266
Convertible notes	-	-	2,089	2,089
<b>Total</b>	<b>43,714</b>	<b>-</b>	<b>18,355</b>	<b>62,069</b>

## 14 Financial risk management (continued)

### (g) Fair value hierarchy (continued)

The pricing for the majority of the Company's investments is generally sourced from independent pricing sources, the relevant Investment Manager or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, e.g. recognised stock exchanges and therefore classified within level 1, include active listed equities.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded.

Level 2 investments could include those that are not traded in active markets and/or are subject to transfer restrictions.

Level 3 instruments could include debt instruments and certain private equity type investments of which valuations are not based on market inputs or securities valued using models and internal data. Level 3 investments may be adjusted to reflect illiquidity. Level 3 instruments also include those that have stale price, that is, where the pricing for a particular security has remained static for an extended period of time.

Level 3 investments are valued by the Investment Manager using a variety of valuation techniques, taking into consideration recent market transactions. These valuations are reassessed on a monthly basis by the Investment Manager, and approved by the Investment Valuation Committee, which is chaired by an ACQ Director. Management considers the appropriateness of the valuation inputs, methods and techniques used in the valuations. The valuation inputs are sourced from independent third party pricing sources without adjustment such as stock exchanges, pricing agencies and/or fund managers where available. Where the inputs are considered stale, unobservable, proprietary or from an inactive market, they are categorised as level 3.

Transfers between levels of fair value hierarchy are deemed to have occurred at the reporting date.

Transfers out of level 3 generally occur when an unlisted equity investment lists on a recognised stock exchange.

The following table presents the movement in level 3 instruments as at the reporting date by class of financial instrument.

As at 30 June 2020	Opening balance	Purchases	Sales	Transfers into level 3	Transfers out of level 3	Gains/(losses) recognised in profit or loss	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unlisted equities	16,266	6,342	(2,245)	-	(270)	(1,143)	21,236
Convertible notes	<u>2,089</u>	<u>1,967</u>	<u>(2,089)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,967</u>
<b>Total</b>	18,355	8,309	(4,334)	-	(270)	(1,143)	23,203

As at 30 June 2019	Opening balance	Purchases	Sales	Transfers into level 3	Transfers out of level 3	Gains/(losses) recognised in profit or loss	Closing balance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unlisted equities	17,293	3,283	(3,238)	-	(3,385)	2,313	16,266
Convertible notes	<u>4,116</u>	<u>2,560</u>	<u>-</u>	<u>-</u>	<u>(1,805)</u>	<u>(2,782)</u>	<u>2,089</u>
<b>Total</b>	21,409	5,843	(3,238)	-	(5,190)	(469)	18,355

## 14 Financial risk management (continued)

### (h) Sensitivity analysis for unlisted investments

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy are the underlying enterprise values which determines share or unit price.

Sensitivity of the unobservable inputs are approximated by reference to the volatility of the relevant sector of the microcap index which the company predominately operates in. These represent the best observable approximation of factors which can influence the operating environment of the unlisted investments given the size and nature of the companies.

The following table sets out the sensitivity of Level 3 investments to movements in the relevant sector indices over the last 5 years.

<b>Sensitivity Analysis as at 30 June 2020</b>					
<b>Sector</b>	<b>Valuation Method</b>	<b>Fair Value Equities \$</b>	<b>Sector volatility (past 5 years)</b>	<b>Low \$</b>	<b>High \$</b>
Consumer Staples	Relative Valuation	459,616	16.57%	(76,137)	76,137
Communication Services	Relative Valuation	337,390	33.23%	(112,108)	112,108
Consumer Discretionary	3rd Party Transaction	1,294,667	28.37%	(367,317)	367,317
Health Care	Relative Valuation	703,270	22.58%	(158,794)	158,794
Health Care	3rd Party Transaction	3,071,824	22.58%	(693,599)	693,599
Financial ex-AREITs	Relative Valuation	518,330	19.67%	(101,962)	101,962
Financial ex-AREITs	3rd Party Transaction	7,180,331	19.67%	(1,412,456)	1,412,456
Industrials Capital Goods	Relative Valuation	2,691,278	24.32 %	(654,605)	654,605
Industrials ex-capital goods	Relative Valuation	1,388,682	21.37 %	(296,694)	296,694
Industrials ex-capital goods	3rd Party Transaction	2,496,712	21.37 %	(533,427)	533,427
Information Technology	Relative Valuation	287,486	23.17 %	(66,605)	66,605
Materials Resources	3rd Party Transaction	803,875	25.64 %	(206,128)	206,128
<b>Total</b>		<u>21,233,461</u>		<u>(4,679,832)</u>	<u>4,679,832</u>
<b>Sector</b>	<b>Valuation Method</b>	<b>Fair Value C/Notes \$'000</b>	<b>Sector volatility (past 5 years)</b>	<b>Low \$'000</b>	<b>High \$'000</b>
Financial ex-AREITs	3rd Party Transaction	930,000	19.67 %	(182,942)	182,942
Industrials ex-capital goods	3rd Party Transaction	<u>1,036,578</u>	<u>21.37 %</u>	<u>(221,467)</u>	<u>221,467</u>
<b>Total</b>		<u>1,966,578</u>		<u>(404,409)</u>	<u>404,409</u>

## 14 Financial risk management (continued)

### (h) Sensitivity analysis for unlisted investments (continued)

Sensitivity Analysis as at 30 June 2019					
Sector	Valuation Method	Fair Value Equities \$	Sector volatility (past 5 years)	Low \$	High \$
Consumer Staples	Relative Valuation	718,525	13.74 %	(98,725)	98,725
Communication Services	3rd Party Transaction	389,108	28.58 %	(111,207)	111,207
Consumer Discretionary	3rd Party Transaction	466,997	12.89 %	(60,196)	60,196
Health Care	3rd Party Transaction	2,386,380	15.45 %	(368,696)	368,696
Industrials Capital Goods	3rd Party Transaction	2,303,391	16.61 %	(382,593)	382,593
Financial ex-AREITs	Relative Valuation	4,477,767	9.77 %	(437,478)	437,478
Financial ex-AREITs	3rd Party Transaction	1,287,323	9.77 %	(125,771)	125,771
Industrials ex-capital goods	3rd Party Transaction	2,394,480	13.41 %	(321,100)	321,100
Information Technology	3rd Party Transaction	1,341,929	14.81 %	(198,740)	198,740
Materials Resources	3rd Party Transaction	499,904	20.95 %	(104,730)	104,730
<b>Total</b>		<b>16,265,804</b>		<b>(2,209,236)</b>	<b>2,209,236</b>
Sector	Valuation Method	Fair Value C/Notes \$'000	Sector volatility (past 5 years)	Low \$'000	High \$'000
Industrials Capital Goods	3rd Party Transaction	500,000	16.61 %	(83,050)	83,050
Industrials ex-capital goods	3rd Party Transaction	1,500,000	13.41 %	(201,150)	201,150
Information Technology	3rd Party Transaction	88,760	14.81 %	(13,145)	13,145
<b>Total</b>		<b>2,088,760</b>		<b>(297,345)</b>	<b>297,345</b>

## 15 Related party transactions

### (a) Key management personnel compensation

Any persons with responsibility for planning, directing and controlling the activities of the Company, directly or indirectly during the reporting period are considered key management personnel.

For details of remuneration disclosures relating to key management personnel, refer to the table below and also the remuneration report (audited) in the Directors' report.

2020	Short-term benefits	Post-employment benefits	Total
<b>Directors</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
John Steven	54,795	5,205	60,000
Judith Smith	36,530	3,470	40,000
David Trude	36,530	3,470	40,000
<b>Total</b>	<b>127,855</b>	<b>12,145</b>	<b>140,000</b>

2019	Short-term benefits	Post-employment benefits	Total
<b>Directors</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
John Steven	54,795	5,205	60,000
Judith Smith	36,530	3,470	40,000
David Trude	36,530	3,470	40,000
<b>Total</b>	<b>127,855</b>	<b>12,145</b>	<b>140,000</b>

### (b) Other transactions with key management personnel or entities related to them

From time to time Directors of the Company, or their related entities, may purchase or sell the Company's securities through the Australian Securities Exchange in accordance with the Company's security trading policy.

No Director has entered into a material contract with the Company since the last reporting date and there were no material contracts involving Directors' interests subsisting at the reporting date.

## 15 Related party transactions (continued)

### (c) Loans transactions and balances

The Company has not made, guaranteed or secured, directly or indirectly any loans to key management personnel or their related entities during the reporting period.

### (d) Acorn Capital Limited

#### *Management agreement*

The Company and the Manager have entered into the Management Agreement whereby, subject to the provisions set out below, the Company has exclusively appointed the Manager to invest and manage all of the assets of the Company (including any controlled entity of the Company) from time to time, for and on behalf of the Company. An initial term of 5 years was entered into on 5 May 2014, which has been extended for an additional years 7 years commencing 16 November 2018.

#### *Management fees*

The management of the Company is performed by the Manager who is entitled to be paid management and performance fees. The Company pays the Manager a management fee of 0.95% p.a (plus GST) of the net asset value of the investment portfolio. The management fee is calculated and accrued each month and paid semi-annually in arrears.

In addition, the Manager will be entitled to receive a performance fee from the Company equal to 20% (plus GST) of the investment portfolio's outperformance of the S&P/ASX Small Ordinaries Accumulation Index, which is calculated and accrued monthly on a pre tax basis and, where tests are satisfied, any positive performance fee amounts that are in excess of the minimum performance fee account balance (as defined in the Management Agreement) are paid annually.

The management fee paid and payable by the Company for the reporting period ended 30 June 2020 to the Manager was \$658,443 (2019: \$658,102). Of this amount, all was payable to the Manager, as the Investment Manager, pursuant to the management agreement. At 30 June 2020, of the total 2020 fee, \$323,372 (inc GST) (2019: \$343,661) remains payable by the Company.

The performance fee paid and payable by the Company for the reporting period ended 30 June 2020 to the Manager was \$1,148,068 (2019: \$Nil). Of this amount, all was payable to the Manager, as the Investment Manager, pursuant to the management agreement. At 30 June 2020, \$1,232,073 (inc GST) (2019: \$Nil) remains payable by the Company.

### (e) Related party equity shareholdings

The Australian Unity Group is a joint venture partner of the Investment Manager, Acorn Capital Limited.

Parties related to the Company (including the Manager and its related parties), held shares in the Company as follows:

	No. of shares held 1 July 2019	No. of shares held 30 June 2020	Fair value of investment	Interest held
	Shares	Shares	\$	%
Acorn Capital Ltd	89,192	95,920	86,328	0.18
Australian Unity Balanced Growth Portfolio	1,050,000	915,493	823,944	1.71
AU Health Ltd	2,183,163	1,647,969	1,483,172	3.07
Directors of Acorn Capital Investment Fund Ltd	1,540,310	1,541,181	1,387,063	2.87
Directors / staff of Acorn Capital Limited	1,209,173	1,219,915	1,097,924	2.27
AU Lifeplan Funeral Fund No.2 (Taxable)	330,000	330,000	297,000	0.62
AU Lifeplan Funeral Fund No.2 (Non-Taxable)	360,000	360,000	324,000	0.67
AU Capital Guaranteed Funeral Bond (Taxable)	185,000	185,000	166,500	0.35
AU Capital Guaranteed Funeral Bond (Non-taxable)	130,000	130,000	117,000	0.24
AU Capital Secure Funeral Bond	87,000	87,000	78,300	0.16
Grand United Corporate Health	-	765,000	688,500	1.43
<b>Total</b>	<b>7,163,838</b>	<b>7,277,478</b>	<b>6,549,731</b>	<b>13.57</b>

## 15 Related party transactions (continued)

### (e) Related party equity shareholdings (continued)

Shares in the company as at 30 June 2019	No. of shares held 1 July 2018	No. of shares held 30 June 2019	Fair value of investment	Interest held
	Shares	Shares	\$	%
Acorn Capital Ltd	83,580	89,192	90,976	0.17
Australian Unity Balanced Growth Portfolio	1,212,750	1,050,000	1,071,000	1.98
AU Health Ltd	2,521,553	2,183,163	2,226,826	4.12
Directors of Acorn Capital Investment Fund Ltd	1,464,584	1,540,310	1,571,116	2.90
Directors / staff of Acorn Capital Limited	1,250,165	1,209,173	1,233,356	2.28
AU Lifeplan Funeral Fund No.2 (Taxable)	415,800	330,000	336,600	0.62
AU Lifeplan Funeral Fund No.2 (Non-Taxable)	-	360,000	367,200	0.68
AU Capital Guaranteed Funeral Bond (Taxable)	213,675	185,000	188,700	0.35
AU Capital Guaranteed Funeral Bond (Non-taxable)	150,150	130,000	132,600	0.25
AU Capital Secure Funeral Bond	<u>100,485</u>	<u>87,000</u>	<u>88,740</u>	<u>0.16</u>
Total	<u>7,412,742</u>	<u>7,163,838</u>	<u>7,307,114</u>	<u>13.51</u>

## 16 Operating segment information

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources, is the Company's Board. The Company has outsourced the investment management of the portfolio to Acorn Capital Limited, the Investment Manager of the Company. The Company operates only in the investment industry in Australia and has no reportable business or geographic segments.

The Company is managed as a whole and is considered to have a single operating segment. There is no further division of the Company or internal segment reporting used by the chief operating decision-maker and the Directors when making strategic, investment or resource allocation decisions.

The internal reporting provided to management is prepared on a consistent basis with the measurement and recognition principles of Australian Accounting Standards. There were no changes in the reportable segments during the reporting period.

The Company is domiciled in Australia and derives its revenue entirely from an Australian investment portfolio, through the receipt of dividends, distributions, interest and other income.

The Company's assets have sufficient nexus with Australia or are listed on the Australian Securities Exchange.

Details of these assets are disclosed in Note 9 above.

## 17 Reconciliation of profit to net cash inflow/(outflow) from operating activities

	2020 \$'000	2019 \$'000
<b>(a) Reconciliation of profit to net cash inflow/(outflow) from operating activities</b>		
Profit after income tax expense attributable to the owners of the Company	2,041	(567)
Proceeds from sale of financial instruments held at fair value through profit or loss	39,271	32,155
Purchase of financial instruments held at fair value through profit or loss	(34,350)	(23,258)
Net gains/(losses) on financial instruments held at fair value through profit or loss	(3,894)	1,040
Deferred consideration paid	-	(1,712)
Net change in receivables and other assets	(21)	14
Net change in payables and other liabilities	1,214	(379)
Increase/(decrease) in provision for current income tax	(1,279)	21
Net change in deferred tax assets/(deferred tax liabilities)	506	(2,531)
Interest and dividends paid in-specie	(654)	(501)
Transaction costs associated with option issue	-	21
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,834</b>	<b>4,303</b>

### (b) Components of cash and cash equivalents

Cash as at the end of the year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

Cash and cash equivalents	<u>2,293</u>	<u>2,767</u>
---------------------------	--------------	--------------

## 18 Reconciliation of net tangible assets used in calculation of net tangible assets per ordinary share for ASX reporting (non-IFRS)

For the reporting period ended	30 June 2020 \$'000	30 June 2019 \$'000
Net assets per financial statements	61,324	62,591
Provision for expected costs to be incurred in realising proceeds of asset disposals (non-IFRS)	(61)	(62)
Tax adjustment on expected costs to be incurred in realising proceeds of asset disposals (non-IFRS)	(17)	(17)
<b>Net tangible assets for ASX reporting</b>	<b>61,246</b>	<b>62,512</b>
<b>Number of ordinary shares on issue at reporting date</b>	<b>53,623,042</b>	<b>53,038,441</b>
Net Tangible Asset Backing (NTA) per share	As at 30 June 2020 (non-IFRS)	
	For monthly NTA Reporting \$/share	For Financial Reporting \$/share
NTA per share before income tax (\$/share)	1.1696	1.1711
NTA after income tax excluding tax on unrealised gains (\$/share)	1.1824	1.1827
NTA per share after income tax (\$/share)	1.1422	1.1436

## 18 Reconciliation of net tangible assets used in calculation of net tangible assets per ordinary share for ASX reporting (non-IFRS) (continued)

Net Tangible Asset Backing (NTA) per share	As at 30 June 2019 (non-IFRS)	
	For monthly NTA Reporting \$/share	For Financial Reporting \$/share
NTA per share before income tax (\$/share)	1.2196	1.2211
NTA after income tax excluding tax on unrealised gains (\$/share)	1.2027	1.2042
NTA per share after income tax (\$/share)	1.1786	1.1801

## 19 Dividends declared

	30 June 2020	30 June 2019
<b>Dividends declared in respect of the Financial Year Ending</b>	<b>\$'000</b>	<b>\$'000</b>
Interim Dividend for the Financial Year	2,001	1,851
Final Dividend for the Financial Year	<u>2,011</u>	<u>1,856</u>
Total Dividend Declared in respect to the financial year	<b>4,012</b>	3,707

### Dividends Declared

For the year ended 30 June 2020, a final dividend 3.75c per share was proposed and approved on the date of this financial report. Based on the number of issued shares as at 31 July 2020 (53,623,042 shares), this represents a total dividend of \$2,010,864. The final value of the dividend will be based on the issued shares as at 13 November 2020, being the record date.

### Franking credit balance

The amount of franking credits available as at 30 June 2020: \$1,070,132 (2019: \$1,230,437).

## 20 Events occurring after the reporting period

No significant events have occurred since the reporting period which would impact on the financial position of the Company disclosed in the statement of financial position as at 30 June 2020 or on the results and cash flows of the Company for the reporting period ended 30 June 2020 on that date.

## 21 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2020 and 2019.

## **Directors' declaration**

In the Directors' opinion

- (a) The financial statements and notes set out on pages 12 to 50 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance, as represented by the results of its operations and cash flows, for the reporting period 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.
- (c) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

While the Company does not have any employees, the Directors have been given the declarations required by section 295A of the *Corporations Act 2001* by the relevant executives of Acorn Capital Limited in relation to the Company. This declaration is made in accordance with a resolution of the directors.



John Steven  
Chairman and Non-Executive Director  
Melbourne  
28 August 2020

# Independent Auditor's Report to the Members of Acorn Capital Investment Fund Limited

## Report on the Audit of the Financial Report

### *Opinion*

We have audited the financial report of Acorn Capital Investment Fund Limited ("the Company"), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and 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 2020 and of its financial performance for the year ended on that date; 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 (including Independence Standards)* (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 judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

## 1. Existence and Valuation of the Investment Portfolio

### Why significant

The Company's investment portfolio at 30 June 2020 consists of both listed and unlisted microcap company securities.

Listed investments (\$38m) and unlisted investments (\$23m) represent a key measure of the Company's performance and together represent 95% of total assets.

As detailed in the Company's accounting policy, described in Note 2(e) of the financial report, listed and unlisted investments are recognised at fair value through profit or loss in accordance with Australian Accounting Standards. Unlisted investments are classified as "level three" investments in accordance with Australian Accounting Standard - AASB 13 *Fair Value Measurement*.

Pricing and other market drivers can have a significant impact on the value of listed investments. For unlisted investments, the Company prepares valuations to determine the appropriateness of fair value. The valuation of unlisted investments involves significant judgment as there are no observable market inputs for valuation. In addition, The COVID-19 pandemic and the associated economic downturn has also caused significant volatility and uncertainty and this has impacted the valuation of unlisted investments as at 30 June 2020. Accordingly, the existence and valuation of the investment portfolio was considered a key audit matter.

### How our audit addressed the key audit matter

Our audit procedures for listed investments, included the following:

- ▶ Obtained and inspected the assurance report over the control environment at the Company's custodian.
- ▶ Obtained independent confirmation from the Company's custodian of securities held in each investment.
- ▶ Agreed all listed investment prices to independent market pricing sources.

For unlisted investments where there were no acquisitions or third-party transactions to determine fair value within the financial period, our audit procedures included the following:

- ▶ Examined the valuations performed by the Company.
- ▶ Agreed the number of securities held in each investment to custodial records and independent sources.
- ▶ Involved our valuation specialists to assess the valuation methodology and key assumptions used in the valuation of the underlying investments including discount rates and multiples.

## 2. Management and Performance Fees

### Why significant

Management and performance fees, paid to the Manager, Acorn Capital Limited, are the most significant operating expense for the Company.

The Company's accounting policy for management and performance fees is described in Note 15 of the financial report. Performance fees are recognised in the financial report if the performance hurdles for the Company have been

### How our audit addressed the key audit matter

We assessed the effectiveness of the controls in relation to the calculation of management and performance fees of the Company's administrator, who has responsibility for the calculations.

We recalculated management and performance fees, in accordance with the relevant service

met at the end of the relevant measurement period, which is the date that the performance criteria is met and the obligation has crystallised. All expenses are recognised on an accruals basis.

As at 30 June 2020, management fees totalled \$0.7m which represented 27% of total expenses.

As at 30 June 2020, performance fees totalled \$1.1m which represented 47% of total expenses.

The assessment of the recognition of expenses relating to performance fee arrangements can be complex.

Accordingly, this was considered a key audit matter.

arrangements, including agreeing the fee rates to the calculations.

We assessed the performance fee calculation, including testing the inputs into the calculation model and assessed whether the calculation was in line with the relevant management agreement.

We also assessed whether the criteria for accrual of a performance fee liability were met at 30 June 2020.

We assessed the adequacy of the disclosures in Note 15 of the financial report

## *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 in the Company's Annual Report for the year ended 30 June 2020, but does not include the financial report and our auditor's reports thereon, with the exception of the Remuneration Report and our related assurance opinion.

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 relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## *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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year 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 Audit of the Remuneration Report

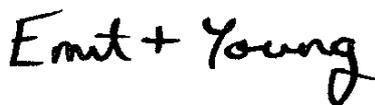
### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 19 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Acorn Capital Investment Fund Limited for the year ended 30 June 2020 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.



Ernst & Young



Brett Kallio  
Partner  
Melbourne  
28 August 2020

## **Additional information for listed companies**

### **ASX Additional information**

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. This information is current as at 31 July 2020.

#### **Substantial shareholders**

The substantial shareholders as at 31 July 2020 are set out below:

Shareholders	Number of shares
Australian Unity Funds Management Limited	4,420,462

### **Voting rights**

#### *Ordinary shares*

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

#### **Distribution of equity security holders – at 31 July 2020**

<b>Range</b>	<b>Total holders</b>	<b>Units</b>	<b>% of Issued Capital</b>
1 - 1,000	136	68,896	0.13
1,001 - 5,000	260	794,184	1.48
5,001 - 10,000	251	2,079,016	3.88
10,001 - 100,000	698	23,089,999	43.06
100,001 - 9,999,999,999	72	27,590,947	51.45
<b>Total</b>	<b>1,417</b>	<b>53,623,042</b>	<b>100.00</b>

### **Non Marketable Parcels**

There were 49 holders of less than a marketable parcel of ordinary shares (based on the closing market price on 31 July 2020).

There are no securities subject to voluntary escrow.

**Acorn Capital Investment Fund Limited**  
**Additional information for listed companies**  
**For the reporting period ended 30 June 2020**  
**(continued)**

**Twenty largest shareholders – at 31 July 2020**

	<b>Ordinary shares</b>	<b>%</b>
BNP PARIBAS NOMS PTY LTD <DRP>	4,420,762	8.24
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,393,894	4.46
CHARLES & CORNELIA GOODE FOUNDATION PTY LTD <CCG FOUNDATION A/C>	1,566,924	2.92
MR BARRY GEORGE FAIRLEY	1,028,313	1.92
BETA GAMMA PTY LTD <WALSH STREET SUPER FUND A/C>	1,000,000	1.86
HALCYCON PTY LTD	1,000,000	1.86
BRIXTON CAPITAL PTY LTD	979,229	1.83
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	813,592	1.52
LONCETA PTY LTD <HANCOCK SUPER FUND A/C>	744,997	1.39
FORTY FIFTH DECBARB PTY LTD <ME RYAN SUPER FUND A/C>	582,754	1.09
KING NOMINEES (VIC) PTY LTD <KING FAMILY A/C>	521,730	0.97
WASHINGTON H SOUL PATTINSON & COMPANY LIMITED	513,906	0.96
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	438,122	0.82
KERWAY INVESTMENTS PTY LTD	436,549	0.81
MR BARRIE ERNEST LAWS + MRS MERRILYN FRANCES LAWS <B & M LAWS SUPER FUND A/C>	421,000	0.79
MATIMO PTY LTD <MATIMO A/C>	394,708	0.74
THE ATHENAEUM CLUB	387,600	0.72
MR MATTHEW CURZON ALLEN + MRS ELIZABETH JANE ALLEN <ALLEN SUPER FUND A/C>	370,000	0.69
WIFAM INVESTMENTS PTY LTD <WISCHER FAMILY S/F A/C>	364,326	0.68
XAVIER COLLEGE FOUNDATION LIMITED	362,250	0.68

**Securities exchange listing**

The Company is listed on the Australian Securities Exchange.

**ASX Code**

ACQ

**Transactions & Brokerage**

The Company had a total of 925 transactions in securities during the reporting period and has paid brokerage totaling \$133,596 (inc GST).

**Investments**

**At 30 June 2020 the Company held the following Investments**

Adairs	Marketplacer
Alliance Mining	Mcperson's
Ama Group	Megaport
Amaysim Australia	Mnf Group
Aroa Biosurgery	Moula Money
Aurelia Metals	Nimble Money
Aus Bio	Ocean Grown Abalone
Beacon Lighting Group	Oklo Resources
Bigtincan Holdings	Ora Banda Mining
Bluechiip	Orecorp
Calix	Orocobre
Camplify Co (Australia)	Otto Energy
Carbon Revolution	Over The Wire Holdings
Carnarvon Petroleum	Perseus Mining
Cashwerkz	Poseidon Nickel
Chalice Gold Mines	Prodigy Gold NI
Clover Corporation	Ramelius Resources
CleanSpace Holdings	Red 5
CN Partners LLC (Collinear)	Redbubble
Comet Ridge	Redhill Education
Data#3	Retail Food Group
Department 13 International	Sandfire Resources
Dropsuite	Saturn Metals
Elenium Automation	Select Harvests
Firstwave Cloud Technology	Sequoia Financial Group
Flare HR	Shine Justice
Fremantle Octopus	Splend Holdings
Galaxy Resources	Stavelly Minerals
Gdi Property Group	Sunstone Metals
Genea Biocells	Tasfoods
Genea	Taxi Apps
Hydrix	Telix Pharmaceuticals
Ingogo	Thinextra
Innovative Asset Solutions Group	Vango Mining
Lifestyle Communities	Vintage Energy
Lifestylepanel Holdings	Wameja
Longtable Group	Western Areas
	Whispir

## **IMPORTANT INFORMATION**

Acorn Capital Limited has made every effort to ensure that the information in this presentation document is accurate. However, its accuracy, reliability or completeness cannot be guaranteed. Acorn Capital Limited does not accept any liability for any error or omission, or for any loss or damage suffered as a result of others acting on the basis of the information contained herein. Copyright in this document is owned by Acorn Capital Limited. The contents of this presentation may not be copied, reproduced or embodied in any other document or distributed to a third party without the prior written consent of Acorn Capital Limited.

