

Global Value Fund Limited

A.B.N. 90 168 653 521

Appendix 4E - Preliminary Financial Report for the year ended 30 June 2016

Global Value Fund Limited
Appendix 4E - Preliminary Financial Report
For the year ended 30 June 2016

Preliminary Report

This preliminary report is for the financial year ended 30 June 2016.

Results for announcement to the market

	2016 \$	2015 \$	up/down	% mv't
Revenue from ordinary activities	5,252,969	15,366,808	down	(65.8)
Profit before tax for the year	2,619,643	12,158,857	down	(78.5)
Profit from ordinary activities after tax attributable to members	1,911,472	8,538,899	down	(77.6)

All comparisons are to the full year ended 30 June 2015.

FY2016 review

For the full year ended 30 June 2016 the Company's investment portfolio increased by 2.6%¹ after all fees and expenses and after adjusting for the dilutive impact of options exercised during the year. Over this same period the MSCI All Country World Index fell 0.4%² in Australian dollar terms.

Portfolio Manager Miles Staude said: "FY2016 presented a testing environment for the Company's investment portfolio, with most global equity markets registering falls over the period. Despite this backdrop the investment portfolio performed well, with our discount capture strategy generating 5.1%¹ of gross excess returns over the year.

As well as seeking to generate excess market returns, one of the key objectives of the strategy is to run a portfolio which has meaningfully less market risk than one invested solely in a portfolio of international shares. A useful real world demonstration of how this approach protected shareholders during FY2016 is to compare how the GVF investment portfolio fared during the worst periods of market stress that occurred throughout the year. The three largest monthly falls for the MSCI All Country World Index in Australian dollar terms during FY2016 were 4.3%², 3.4%, and 3.2%. During the same corresponding months, the falls in the GVF investment portfolio were 1.1%, 3.0%, and 1.0%."

Dividends

During the year the Company declared and paid fully-franked dividends of 5.0 cents per share. 2.0 cents per share of this related to the FY2015 final dividend payment, which was paid on 6 November 2015. The remaining 3.0 cents per share related to the fully-franked FY2016 interim dividend, which was paid on 6 May 2016.

Since year-end the Company has declared a final fully-franked dividend for FY2016 of 3.0 cents per share to be paid on Friday 4 November 2016. The record date for entitlement to the FY2016 final dividend is Friday 7 October 2016.

Dividend reinvestment plan

The Company's dividend reinvestment plan (DRP) will be in effect for the final FY2016 fully franked dividend payment of 3.0 cents per share.

The DRP has been designed so that participants will always receive the lowest reinvestment price possible, without their reinvestment diluting the post-tax Net Tangible Asset value per share (NTA) of those shareholders who choose not to participate in the plan. When the Company's share price is greater than or equal to its NTA, dividends are paid as newly issued shares in the Company. The Company's closing share price of \$1.085 on 25 August 2016 was above its current NTA. If this situation remains on 6 October 2016 participating shareholders will be issued new shares at the greater of, a 2.5% discount to the volume weighted average share price over the three trading days from the ex-date, or the 6 October NTA value of the Company. If the share price for GVF is less than the Company's NTA at this time, cash available for distribution as dividends on shares subject to the DRP will be used to acquire the Company's shares on-market in accordance with the terms set out in the plan.

Shareholders who would like to participate in the DRP can enrol at www.investorserve.com.au, alternatively please contact the Company's share registrar, Boardroom, on 1300 737 760. The enrolment deadline for the FY2016 final dividend is 5.00 pm (AEST) Monday 10 October 2016. Details of the DRP are available on the Company's website at: www.globalvaluefund.com.au/files/2016_GVF_Dividend_Reinvestment_Plan.pdf

Net tangible assets	30 June 2016 \$	30 June 2015 \$
Net tangible asset backing (per share) before tax	1.07	1.17
Net tangible asset backing (per share) after tax	1.05	1.12

During FY2016 36.9M new shares were issued pursuant to outstanding Company options. The dilutive effect of the exercise of these options on the Company's NTA was approximately 5.9 cents per share.

¹ Source Metage Capital Limited

² All returns quoted are total returns, including both price and dividends

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For the year ended 30 June 2016

Audit

This report is based on the financial report which is in the process of being audited. All the documents comprise the information required by Listing Rule 4.3A.

Annual General Meeting

The Company advises that its Annual General Meeting is expected to be held on Thursday 17 November 2016. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to the ASX immediately after dispatch.

In accordance with the ASX Listing Rules, valid nominations for the position of Director are required to be lodged at the registered office of the Company by 5.00pm (AEST) Tuesday 27 September 2016.

Global Value Fund Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

Statement of Profit or Loss and Other Comprehensive Income

	Note	2016 \$	2015 \$
Net realised gains on disposal of investments		6,119,430	3,029,446
Net unrealised (losses) / gains on market value movement of investments		(4,397,764)	8,824,619
Net realised gains on foreign exchange movement		583,126	2,598,402
Net unrealised (losses) / gains on foreign exchange movement		(235,519)	242,067
Interest income received		57,443	149,537
Dividend income received		<u>3,126,253</u>	<u>522,737</u>
Total income		5,252,969	15,366,808
Expenses			
Management fees		(1,295,815)	(865,059)
Performance fees		-	(1,498,987)
Administration fees		(180,417)	(122,766)
Brokerage expense		(286,068)	(172,602)
Accounting fees		(31,527)	(30,000)
Share registry fees		(87,082)	(46,476)
Dividends paid on borrowed stock		(3,587)	-
Interest expense		(423,995)	(125,763)
Tax fees		(32,620)	(16,500)
Directors' fees		(75,000)	(95,950)
Legal fees		(19,683)	(35,707)
Secretarial fees		(35,547)	(38,832)
ASX fees		(49,872)	(50,126)
Audit fees		(42,730)	(34,100)
Other expenses		<u>(69,383)</u>	<u>(75,083)</u>
Total expenses		(2,633,326)	(3,207,951)
Profit before income tax		2,619,643	12,158,857
Income tax expense	3	<u>(708,171)</u>	<u>(3,619,958)</u>
Profit attributable to members of the Company		<u>1,911,472</u>	<u>8,538,899</u>
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>1,911,472</u>	<u>8,538,899</u>
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	10	2.39	15.22
Diluted earnings per share	10	2.39	14.77

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

Global Value Fund Limited
Statement of Financial Position
As at 30 June 2016

Statement of Financial Position

	Note	2016 \$	2015 \$
Assets			
Cash and cash equivalents	5	38,426,642	26,928,474
Trade and other receivables		258,198	80,008
Financial assets at fair value through profit or loss	6	71,042,097	51,742,134
Deferred tax asset	3	<u>138,040</u>	<u>173,579</u>
Total assets		<u>109,864,977</u>	<u>78,924,195</u>
Liabilities			
Trade and other payables	7	312,385	1,777,083
Current tax liability	3	1,229,635	866,420
Deferred tax liabilities	3	<u>392,544</u>	<u>2,722,015</u>
Total liabilities		<u>1,934,564</u>	<u>5,365,518</u>
Net Assets		<u>107,930,413</u>	<u>73,558,677</u>
Equity			
Issued capital	8	102,013,197	65,019,778
Profits reserve	9	8,823,596	9,098,078
Accumulated losses	9	<u>(2,906,380)</u>	<u>(559,179)</u>
Total Equity		<u>107,930,413</u>	<u>73,558,677</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes

Global Value Fund Limited
Statement of Changes in Equity
For the year ended 30 June 2016

Statement of Changes in Equity

	Note	Issued Capital \$	Accumulated Losses \$	Profits Reserve \$	Total \$
Balance at 30 June 2014		<u>1</u>	-	-	<u>1</u>
Profit for the year		-	8,538,899	-	8,538,899
Other comprehensive income for the year	9	-	-	-	-
Transfer of profits during the year	9	-	(9,098,078)	9,098,078	-
<u>Transactions with owners:</u>					
Shares issued, net of transaction costs	8	65,019,777	-	-	65,019,777
Balance at 30 June 2015		<u>65,019,778</u>	<u>(559,179)</u>	<u>9,098,078</u>	<u>73,558,677</u>
Profit for the year	9	-	1,911,472	-	1,911,472
Other comprehensive income for the year		-	-	-	-
Transfer of profits during the year	9	-	(4,258,673)	4,258,673	-
<u>Transactions with owners:</u>					
Dividends paid	4	-	-	(4,533,155)	(4,533,155)
Shares issued on options exercised	8	36,993,419			36,993,419
Balance at 30 June 2016		<u>102,013,197</u>	<u>(2,906,380)</u>	<u>8,823,596</u>	<u>107,930,413</u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

Global Value Fund Limited
Statement of Cash Flows
For the year ended 30 June 2016

Statement of Cash Flows

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Proceeds from sale of investments		79,387,489	28,794,540
Payment for investments		(96,926,783)	(68,701,636)
Realised foreign exchange gain		583,126	2,598,402
Interest received		49,616	145,088
Dividends received		2,933,295	547,092
Interest paid		(430,561)	(99,167)
Management fees paid		(1,252,803)	-
Performance fees paid		(1,498,987)	(773,084)
Income tax paid		(2,677,890)	-
Payment for other expenses		<u>(893,079)</u>	<u>(639,504)</u>
Net cash (used in) operating activities		<u>(20,726,577)</u>	<u>(38,128,269)</u>
Cash flows from financing activities			
Share issue transaction costs, gross of tax		-	(683,671)
Shares issued on initial public offering		-	54,084,718
Shares issued on options exercised		36,993,419	3,775,150
Shares issued on placement		-	7,638,478
Dividends paid		<u>(4,533,155)</u>	<u>-</u>
Net cash provided by financing activities		<u>32,460,264</u>	<u>64,814,675</u>
Net increase in cash and cash equivalents held		11,733,687	26,686,406
Cash and cash equivalents at beginning of financial year		26,928,474	1
Effect of foreign currency exchange rate changes on cash & cash equivalents		<u>(235,519)</u>	<u>242,067</u>
Cash and cash equivalents at end of financial year	5	<u>38,426,642</u>	<u>26,928,474</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

Global Value Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2016 (continued)

1 General information

Global Value Fund Limited (the "Company") is a listed public company domiciled in Australia. The address of the Company's registered office is C/- Merton's Corporate Services Pty Limited, Level 7, 330 Collins Street, Melbourne.

2 Summary of significant accounting policies

The principal accounting policies adopted 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 the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities.

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

The accounting policies are consistent with those applied in the 30 June 2015 Annual Financial Report.

	2016	2015
	\$	\$
3 Income tax expense		
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Prima facie tax on profit before income tax at 30% (2015: 30%)	785,893	3,647,657
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Franked dividends receivable	2,547	(2,547)
Imputation credit gross up	5,851	2,842
Foreign income tax offset gross up	46,686	7,937
Franking credit offset	(19,503)	(9,474)
Foreign income tax offset	(77,810)	(26,457)
Other non-assessable items	(35,493)	-
Income tax expense	<u>708,171</u>	<u>3,619,958</u>
The applicable weighted average effective tax rates are as follows:	27.0%	29.8%
Total income tax expense results from:		
Current tax liability	3,002,103	866,420
Deferred tax liability	(2,329,471)	2,722,015
Deferred tax asset	35,539	31,523
Income tax expense	<u>708,171</u>	<u>3,619,958</u>
(b) Current tax liability		
Opening balance	866,420	-
Prior year income tax paid	(869,928)	-
Current year income tax paid	(1,807,962)	-
Under/(over) provision	39,002	-
Current year income tax payable	<u>3,002,103</u>	<u>866,420</u>
Closing balance	<u>1,229,635</u>	<u>866,420</u>

Global Value Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2016 (continued)

	2016 \$	2015 \$
3 Income tax expense (continued)		
(c) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Accruals	14,979	9,499
Capitalised costs	<u>123,061</u>	<u>164,080</u>
	<u>138,040</u>	<u>173,579</u>
Movements:		
Opening balance	173,579	-
Charged/credited:		
- to profit or loss	(35,539)	(31,523)
-directly to equity	<u>-</u>	<u>205,102</u>
Closing balance	<u>138,040</u>	<u>173,579</u>
(d) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Fair value adjustments	326,078	2,720,006
Accruals	<u>66,466</u>	<u>2,009</u>
	<u>392,544</u>	<u>2,722,015</u>
Movements:		
Opening balance	2,722,015	-
Charged/credited:		
- to profit or loss	<u>(2,329,471)</u>	<u>2,722,015</u>
Closing balance	<u>392,544</u>	<u>2,722,015</u>
4 Dividends		
(a) Dividends paid		
Interim fully franked ordinary dividend of 3.0 cents per share	3,078,350	-
2015 final dividend (fully franked) of 2.0 cents per share paid in 2016	<u>1,454,805</u>	<u>-</u>
	<u>4,533,155</u>	<u>-</u>
(b) Dividends not recognised at the end of the financial year		
Since year end, the Directors have declared a final dividend of 3.0 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the dividend with an ex-date of 6 October 2016 and a record date of 7 October 2016, expected to be paid on 4 November 2016 out of the profits reserve at 30 June 2016, but not recognised as a liability at year end, is:	<u>3,078,351</u>	<u>1,312,365</u>
(c) Dividend reinvestment plan		
In association with the interim Dividend, the Company announced the commencement of a new dividend reinvestment plan ("DRP" or "plan"). The plan allows shareholders to acquire additional shares in the Company. Shareholders have the option of either enrolling all their shares in the plan or nominating a specific number of shares that will be subject to reinvestment.		
The plan has been designed so that DRP participants will always receive the lowest reinvestment price possible, without their reinvestment diluting the Net Tangible Asset value per share (NTA) of those shareholders who choose not to participate in the plan.		
There are no costs to participate in the plan and shareholders can discontinue their participation in the plan at any time.		

Global Value Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2016 (continued)

	2016 \$	2015 \$
4 Dividends (continued)		
(d) Dividend franking account		
The franked portions of the final dividends declared after 30 June 2016 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2016.		
Opening balance of franking account	9,474	-
Franking credits on dividends received	19,503	9,474
Franking credits on dividends paid	(1,942,781)	-
Tax paid during the period	<u>2,677,890</u>	<u>-</u>
Closing balance of franking account	<u>764,086</u>	<u>9,474</u>
Franking credits on dividends receivable	-	3,605
Adjustments for tax payable in respect of the current year's profits and the receipt of dividends	<u>1,229,635</u>	<u>866,420</u>
Adjusted franking account balance	<u>1,993,721</u>	<u>879,499</u>
Impact on the franking account of dividends proposed or declared but not recognised as at 30 June 2016	<u>(1,319,293)</u>	<u>(589,073)</u>
Franking credits available for subsequent reporting periods based on a tax rate of 30.0%	<u>674,428</u>	<u>290,426</u>

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

5 Cash and cash equivalents

Cash at bank	<u>38,426,642</u>	<u>26,928,474</u>
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The Company makes use of swap contracts with its Prime Broker to invest some of its investment portfolio and such contracts result in much of the notional investment value, being the value at risk, remaining on the Company's balance sheet as cash.

6 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are all held for trading and include the following:

Australian and overseas listed equity securities	68,569,243	50,917,108
Derivative financial instruments	<u>2,472,854</u>	<u>825,026</u>
	<u>71,042,097</u>	<u>51,742,134</u>

Changes in fair values of financial assets at fair value through profit or loss are recorded as income in the Statement of Profit or Loss and Other Comprehensive Income.

7 Trade and other payables

Management fees payable	134,987	91,975
Performance fees payable	-	1,498,987
Due to brokers	-	41,083
Interest payable	20,031	26,596
Other payables	<u>157,367</u>	<u>118,442</u>
	<u>312,385</u>	<u>1,777,083</u>

Trade and other payables primarily relate to outstanding settlements and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

Global Value Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2016 (continued)

8 Issued capital	2016		2015	
	No of shares	\$	No of shares	\$
(a) Share capital				
Ordinary shares	<u>102,611,692</u>	<u>102,013,197</u>	<u>65,618,263</u>	<u>65,019,778</u>
(b) Movements in ordinary share capital				
2015	Number of shares	Application price	\$	
Opening balance	1	\$1.00	1	
Shares issued under IPO	54,961,600	\$1.00	54,084,718	
Options exercised for \$1.00 per share	3,775,150	\$1.00	3,775,150	
Share placement	6,881,512	\$1.11	7,638,478	
Cost of issued capital, net of tax	-		(478,569)	
Closing balance	65,618,263		65,019,778	
2016				
Opening balance	65,618,263		65,019,778	
Options exercised for \$1.00 per share	36,993,419	\$1.00	36,993,419	
Shares issued to satisfy rounding of shares allocated to participants in the dividend reinvestment plan	10		-	
Closing balance	102,611,692		102,013,197	

During the year, 36,993,419 options that were on issue were exercised at \$1.00 per share. The remaining unexercised options expired on 17 March 2016.

Under the terms of the Dividend Reinvestment Plan ("DRP" or "plan") announced on 14 March 2016, 266,818 ordinary shares were acquired on-market for DRP participants at \$1.0122 per share. These shares were applied to the holdings of the DRP participants as at the dividend payment date, 6 May 2016, and confirmed in the dividend statements dispatched by the Company's share registrar.

On 6 May 2016, 10 shares were issued at a price of \$1.0122 per share to satisfy the rounding of shares allocated to participants in the DRP in respect of the purchase of shares under the terms of the DRP applicable to the dividend paid on 6 May 2016.

The plan allows shareholders to acquire additional shares in the Company. Shareholders have the option of either enrolling all their shares in the plan or nominating a specific number of shares that will be subject to reinvestment.

The plan has been designed so that DRP participants will always receive the lowest reinvestment price possible, without their reinvestment diluting the Net Tangible Asset value per share (NTA) of those shareholders who choose not to participate in the plan.

There are no costs to participate in the plan and shareholders can discontinue their participation in the plan at any time.

	2016 \$	2015 \$
9 Profits reserve and accumulated losses		
(a) Profits reserve		
Profits reserve	<u>8,823,596</u>	<u>9,098,078</u>
Movements:		
Opening balance	9,098,078	-
Transfer of profits during the year	4,258,673	9,098,078
Dividends paid	<u>(4,533,155)</u>	<u>-</u>
	<u>8,823,596</u>	<u>9,098,078</u>

Global Value Fund Limited
Notes to the Financial Statements
For the year ended 30 June 2016 (continued)

	2016 \$	2015 \$
9 Profits reserve and accumulated losses (continued)		
(b) Accumulated losses		
Accumulated losses	<u>(2,906,380)</u>	<u>(559,179)</u>
Movements:		
Opening balance	(559,179)	-
Net profit for the period	1,911,472	8,538,899
Transfer of profits during the year	<u>(4,258,673)</u>	<u>(9,098,078)</u>
	<u>(2,906,380)</u>	<u>(559,179)</u>
10 Earnings per share		
Profit after income tax used in the calculation of earnings per share	<u>1,911,472</u>	<u>8,538,899</u>
	Cents	Cents
(a) Basic earnings per share		
Basic earnings per share attributable to the ordinary equity holders of the Company	<u>2.39</u>	<u>15.22</u>
(b) Diluted earnings per share		
Diluted earnings per share attributable to the ordinary equity holders of the Company	<u>2.39</u>	<u>14.77</u>
(c) Weighted average number of shares used as denominator	No. of shares	No. of shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>79,867,950</u>	<u>56,097,413</u>
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<u>79,867,950</u>	<u>57,831,319</u>
Reconciliation of weighted average number of shares:		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>79,867,950</u>	<u>56,097,413</u>
Weighted average number of potential ordinary shares used in the Calculation of diluted earnings per share	-	1,733,906
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<u>79,867,950</u>	<u>57,831,319</u>

As at the end of the year, there are no outstanding securities that are potentially dilutive in nature for the Company.

11 Contingencies and commitments

The Company had no material contingent liabilities or commitments at 30 June 2016.

12 Events occurring after the reporting period

Since year-end, the Company declared a final fully-franked dividend of 3.0 cents per share to be paid on Friday 4 November 2016.

No other matters or circumstances have occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.