# Global Value Fund Limited

A.B.N. 90 168 653 521

# Annual Report
# for the year ended 30 June 2016

# Corporate directory

| | |
|---|---|
| **Directors** | Jonathan Trollip<br>*Chairman & Independent Director*<br><br>Chris Cuffe<br>*Independent Director*<br><br>Geoffrey Wilson<br>*Director*<br><br>Miles Staude<br>*Director* |
| **Company Secretary** | Mark Licciardo<br>Mertons Corporate Services Pty Limited<br>Level 7, 330 Collins Street<br>Melbourne Victoria 3000 |
| **Investment Manager** | Metage Capital Limited<br>2nd Floor, 38 Jermyn Street<br>London SW1Y 6DN<br>United Kingdom |
| **Auditors** | Pitcher Partners<br>Level 22 MLC Centre<br>19 Martin Place<br>Sydney NSW 2000<br>Telephone: (02) 9221 2099 |
| **Registered Office** | Global Value Fund<br>C/- Mertons Corporate Services Pty Limited<br>Level 7, 330 Collins Street<br>Melbourne Victoria 3000<br>Telephone: (03) 8689 9997 |
| **Share Registrar** | Boardroom Pty Limited<br>Level 12, 225 George Street<br>Sydney NSW 2000<br>Telephone: (02) 9290 9600<br>Fax: (02) 9279 0664 |
| **Stock Exchange** | Australian Securities Exchange (ASX)<br>The home exchange is Sydney<br>ASX code: GVF Ordinary Shares |

**Global Value Fund Limited**
**A.B.N. 90 168 653 521**
**Annual Report – 30 June 2016**

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Dear fellow shareholders,

On behalf of the directors of the Global Value Fund Limited ("Global Value Fund" or "the Company"), I am pleased to present the Company's full-year results and annual report for the year ended 30 June 2016 ("FY2016").

FY2016 was a challenging year for the Global Value Fund, with most global equity markets registering falls over the period. Pleasingly, despite this backdrop, the Company's investment portfolio delivered positive returns over the year.

The capital of the Company is invested by Metage Capital Limited ("the Investment Manager"), in a portfolio of carefully selected global assets, trading at significant discounts to their intrinsic value and utilising the Investment Manager's unique discount capture strategy. Over a medium term investment horizon, the aim of this strategy is to provide shareholders with equity market like returns, but with a significantly lower risk profile.

**Investment Performance and Financial Highlights**

Over FY2016 the Company's investment portfolio generated a pre-tax return of 2.6% net of 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% in Australian dollar terms.

As the Company is an investment company, its profitability it driven by the returns from the investment portfolio. The Company reported a net profit after tax of $1.9 million for the year ended 30 June 2016. As at 30 June 2016, the pre-tax net tangible asset backing ("NTA") of the Company was $1.07 per share and the post-tax net tangible asset backing of the Company was $1.05 per share.

Please read the Investment Manager's report on pages 2 to 3 for further information on the historical performance of the portfolio and the Investment Manager's outlook.

**Dividends**

The continued outperformance by the Manager has allowed the Board to declare a fully franked final dividend for FY2016 of 3.0 cents per share, taking total FY2016 dividend payments to 6.0 cents per share fully franked. The final dividend payment for FY2016 will be payable on 4 November 2016 to shareholders as at the 7 October 2016 record date. It is pleasing to have been able to provide this level of dividend income to shareholders so early in the Company's history.

**FY2017 dividend guidance**

The Board currently anticipates being able to maintain at least the same level of dividend payments made during FY2016 over the FY2017 financial year, that being a 3.0 cent per share interim dividend payment and a further 3.0 cent per share final dividend payment. Whether an increase in dividend payments is possible will depend on the Company's investment performance during FY2017.

While the Board anticipates being able to maintain total dividend payments of at least 6.0 cents per share during FY2017, at this stage it considers it unlikely that it will be able to declare these dividends as fully franked. The ability for the Company to pay fully franked dividends depends on it having sufficient franking credits available. Franking credits are generated primarily through two sources; the receipt of franking credits attached to dividend payments from Australian companies, and through the payment of capital gains tax on realised gains made from the Company's investment portfolio. As an international investor, the Company receives no franking credits on the dividends it receives from the vast majority of its portfolio, removing one key source of franking credit availability for the Company. While the Company's investment portfolio has generated significant returns for shareholders since IPO, the considerable increase in the number of shares outstanding during FY2016 has reduced the associated franking credits on a per share basis.

The Board understands that the Company's dividend payments form an important income stream for many of its shareholders. Given this, the Board believes that it is important to maintain the current dividend payment rate even if those dividends are not fully franked. The Board will provide further guidance on the proposed FY2017 interim dividend, together with the level of franking credits attached to them, with the FY2017 interim results.

The above dividend guidance is not a formal declaration of dividends for FY2017. The size and payment of any interim or final dividend for FY2017 will be subject to the Company having sufficient profit reserves and the dividend payment being within prudent business practices. If an FY2017 interim dividend is declared, the Board expects that it would be payable during May 2017.

**Thank you**

I would like to thank all of our shareholders for their continuing support in the Company. The Company's annual general meeting will be held in Sydney on 23 November, 2016, and I look forward to seeing many of you there. I would also encourage shareholders to attend the Company's various interstate investment presentations, which will be held during November 2016.

Jonathan Trollip
Chairman

Sydney
23 September 2016

**Financial Year in Review**

FY2016 presented a testing environment for investors, with most global equity markets registering falls over the period. The MSCI All Country World Index fell 3.7%[1] over the period in US dollar terms, its first annual fall over an Australian financial year since FY2012, and only its second annual fall since the end of the global financial crisis.

The fall in global equity markets would have been considerably worse had it not been for the continued resilience of the US economy and its share market. The US share market rose by 4.0%[2] over FY2016, somewhat offsetting significant declines in Europe and Japan, which registered falls of 11.2% and 21.6% respectively. Emerging markets underperformed developed markets for a second year in a row, led by China, whose share market fell by 28.2%. The broader Emerging Market complex fell 12.1% in US dollar terms, as measured by the MSCI Emerging Markets Index

The performance of the US share market therefore stands out as one of the few good news stories in an otherwise challenging year. Apart from a 0.6%[3] increase in the Australian share market, the only other notable share market to register a positive return in FY2016 was the UK share market, which rose 3.8%. The UK's positive share market performance however was largely driven by a substantial fall in the value of the Pound following the UK's decision to exit the EU. With many major UK companies generating their revenues in non-Sterling currencies, the 15.3% fall in the currency over the year significantly increased the value of those earnings in Pound terms, supporting share prices. In US dollar terms the UK share market fell 12.1% over FY2016.

**Performance**

Despite the challenging environment the investment portfolio performed well over FY2016, generating pre-tax returns of 2.6% net of all fees and expenses and after adjusting for the dilutive impact of options exercised during the year. The positive return was driven by our discount capture strategy, which generated gross excess returns of 6.9%[4] over the year. The largest detractor to the investment portfolio's returns in FY2016 was its underlying market exposures, which detracted 3.7% from investment performance. The remaining returns are explained by currency movements and operating costs.

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%, 3.4%, and 3.2%[1]. During the same months, the corresponding falls in the GVF investment portfolio were 1.1%, 3.0%, and 1.0%[4].

Exhibit 1 shows the gross return of the investment portfolio from IPO until the end of FY2016. Returns have been attributed into three different categories. Returns attributable to favourable currency moves, returns attributable to the market exposures of the underlying assets the fund held and returns attributable to our discount capture strategy. This latter attribution represents the excess return the manager has generated for shareholders.

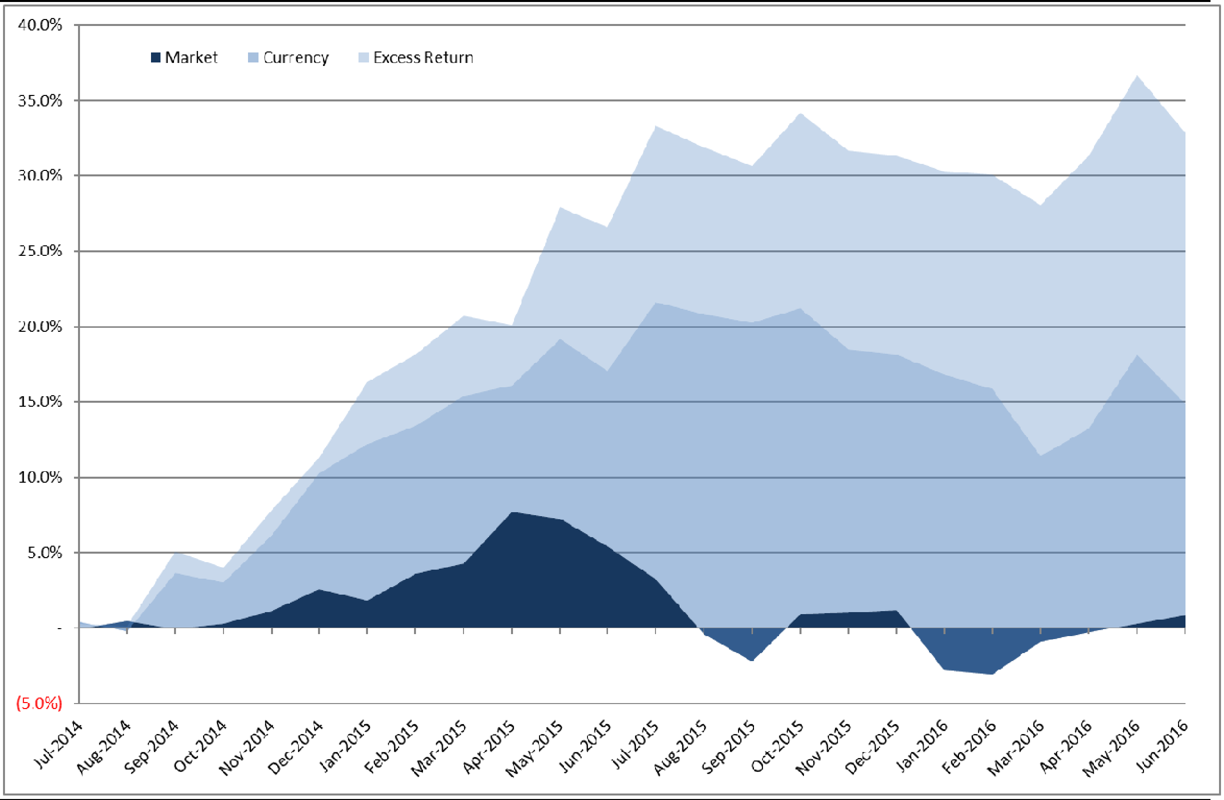
[1] All returns quoted are total returns including net dividends.

[2] US, European and Japanese share market returns refer to the S&P 500, Euro Stoxx 600 and the Nikkei 225 indexes, while Chinese returns refer to the S&P/Citic 300 Index. All returns quoted are total returns including net dividends.

[3] Australian and UK share market returns refer to the ASX 200 and FTSE 100 indexes. All returns quoted are total returns including net dividends.

[4] Source Metage Capital Limited, replaces previously announced figures.

## Exhibit 1: Gross investment portfolio[5] returns FY2015




Source: Metage Capital, Bloomberg

**Outlook**

In the latter part of FY2016 the Company's investment portfolio grew significantly through the exercise of outstanding Company options. This new capital had been fully invested by year end, meaning the Company begins FY2017 with a fully invested portfolio once more. The team and I are excited about the opportunity set currently underlying the portfolio, and in our ability to unlock the value inherent in the Company's investments.

Miles Staude
Portfolio Manager
23 September 2016

[5] Gross Investment portfolio returns refer to total investment returns before taxes paid, expenses, management fees and the impact from dilution from the exercising of options.

**Portfolio Composition**
**As at 30 June 2016**

**Total Portfolio at 30 June 2016**

| | Fair Value $ | Notional Value[1] $ |
|---|---|---|
| **Long Equity Positions – Held for Trading** | | |
| CVC Credit Partners European Opportunities | 8,152,091 | - |
| Boussard & Gavaudan Holding | 6,259,163 | - |
| Harbourvest Global Private Equity | 5,535,265 | - |
| NB Private Equity Partners | 5,522,865 | - |
| Vinaland Limited ZDP | 4,949,911 | - |
| HSBC China Dragon Fund | 4,543,325 | - |
| ANZ Banking Group Convertible Preference | 4,189,443 | - |
| Nuveen Long/ Short Commodity Total Return Fund | 3,755,878 | - |
| AB Income Fund | 3,518,005 | - |
| VinaCapital Vietnam Opportunity Fund | 3,411,357 | - |
| Is Yatirim Ortakligi A.S | 2,898,369 | - |
| DWS Vietnam Fund | 2,875,727 | - |
| Pacific Alliance China Land | 2,773,540 | - |
| AXA Property Trust | 2,610,188 | - |
| AMP Capital China Growth Fund | 2,218,977 | - |
| Highbridge Multi-Strategy Fund | 1,339,072 | - |
| MVC Capital | 1,290,727 | - |
| New Ireland Fund | 729,914 | - |
| North American Income Trust | 682,432 | - |
| Morgan Stanley Emerging Markets Debt Fund | 682,290 | - |
| Acheron Portfolio Corporation | 428,482 | - |
| Aberdeen Latin American Income Fund | 202,222 | - |
| | **68,569,243** | **-** |
| **Derivative Financial Instruments – Held for Trading** | | |
| ***Long Equity Swaps*** | | |
| JP Morgan Senior Secured Loan Fund | 210,216 | 7,180,364 |
| North American Income Trust | 621,425 | 5,238,213 |
| Morgan Stanley Emerging Markets Debt Fund | 281,642 | 5,079,553 |
| Foreign and Colonial Investment Trust | 259,833 | 5,012,520 |
| Schroder UK Growth Fund | (388,218) | 4,728,891 |
| Polar Capital Global Financials | (40,226) | 2,396,105 |
| Merrill Lynch Greater Europe Investment Trust | 85,031 | 2,194,882 |
| MVC Capital | 253,887 | 2,104,384 |
| MVC Capital 7.25% Senior Notes | 58,930 | 1,685,912 |
| Galileo Japan Trust | 390,305 | 1,507,155 |
| AMP Capital China Growth Fund | 664,408 | 834,292 |
| New Star Investment Trust | 17,073 | 519,025 |
| TR Property Investment Trust | 9,763 | 155,463 |
| Highbridge Multi-Strategy Fund | 60,327 | 60,327 |
| | **2,484,396** | **38,697,086** |
| ***Short Index Futures*** | | |
| FTSE/XINHUA China A50 Index [SGX] | (28,014) | (3,135,760) |
| Templeton Emerging Markets IT | (22,399) | (528,205) |
| | **(50,413)** | **(3,663,965)** |
| ***Forward Currency Contracts*** | | |
| CNY [USD] FX Cross | 38,871 | (5,789,364) |
| Total fair value portfolio investments | 71,042,097 | |
| Aggregate notional value of all derivatives | | 48,150,415 |

[1] The aggregate notional value of all derivatives is $48,150,415. The notional value represents the face amount of the underlying instrument referenced in the contract and is the amount at risk - refer note 3 (a).

**Corporate Governance Statement**

The Board of Directors of the Company is responsible for corporate governance. The Board has chosen to prepare the Corporate Governance Statement ("CGS") in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations under which the CGS may be made available on a Company's website.

Accordingly, a copy of the Company's CGS is available on the Company website www.globalvaluefund.com.au under the Company Summary/ Company Policies section.

## Directors' Report

The Directors present their report together with the financial report of Global Value Fund Limited ("the Company") for the year ended 30 June 2016.

### Directors

The following persons held office as Directors of the Company during the financial year:

Jonathan Trollip – Chairman & Independent Director
Chris Cuffe – Independent Director
Geoffrey Wilson –Director
Miles Staude - Director

Directors have been in office since the start of the financial year to the date of this report.

### Principal activities

The Company was established to provide investors with the opportunity to invest in global financial markets through a carefully constructed portfolio of financial assets trading at a discount to their underlying value.

To achieve its objective, the Company has appointed an investment manager, Metage Capital Limited ("the Manager"), who specialises in buying assets trading at a discount to their intrinsic value, and through the use of proprietary systems and strategies, in unlocking the discount present at the time of purchase.

The portfolio held comprises mainly equities and closed ended funds that are listed on various international exchanges as well as cash deposits denominated in domestic and foreign currencies.

The Company's approach is designed to provide superior risk-adjusted returns compared to more traditional forms of international equity investing.

No change in this activity is anticipated in the future.

### 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.

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. If on 6 October 2016, the Company's closing share price is greater than its current NTA, shareholders will be issued new shares at the greater of, a 2.5% discount to the volume weighted average share price over three trading days commencing 6 October 2016, or the 6 October 2016 NTA value of the Company. If the share price for the Company 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

### Review of operations

Investment operations for the year ended 30 June 2016 resulted in an operating profit before tax of $2,619,643 (2015: $12,158,857) and an operating profit after tax of $1,911,472 (2015: $8,538,899).

Asset backing for each ordinary share at 30 June 2016 after tax amounted to $1.05 (2015: $1.12) per share. Asset backing for each ordinary share at 30 June 2016 before tax amounted to $1.07 (2015: $1.17) per share.

**Significant changes in the state of affairs**

Significant changes in the state of affairs of the Company during the financial year were as follows:

During the year 36,993,419 options were exercised and allotted for a total consideration of $36,993,419. There are no options outstanding as at 30 June 2016.

Other than the matters noted above, there were no other significant changes in the state of affairs of the Company during the year ended 30 June 2016.

**Matters subsequent to the end of the financial period**

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.

Other than the dividend declared after year end, no other matter or circumstance has 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.

**Likely developments and expected results of operations**

The Company will continue to pursue its investment objectives for the long term benefit of shareholders. This will require continual review of the investment strategies that are currently in place and may require changes to these strategies to maximise returns.

The underlying holdings of the Company consist of a portfolio of carefully selected global assets, trading at significant discounts to their intrinsic value. With the portfolio now largely invested, the Manager is optimistic about the outlook for the Company's discount capture strategy given the opportunity set available. Further, given the recent volatility in financial markets, the Manager expects to be able to capitalise on new opportunities as they arise whilst seeking to protect shareholders through running a portfolio with meaningfully less market risk than one invested solely in a portfolio of international shares.

**Environmental regulation**

The Company is not affected by any significant environmental regulation in respect of its operations.

To the extent that any environmental regulations may have an incidental impact on the Company's operations, the Directors of the Company are not aware of any breach by the Company of those regulations.

**Information on directors**

**Jonathan Trollip** Chairman and Independent Director

***Experience and expertise***

Jonathan Trollip has over 30 years of legal and commercial experience in the international financial sector. He is currently a principal and Director of Sydney-based finance group Meridian International Capital Limited with whom he has worked for the past 23 years. Jonathan has a Bachelor of Arts degree in Economics from the University of Cape Town, post graduate degrees in Economics and Law from the University of Cape Town and the University of London (London School of Economics) and is a Fellow of the Australian Institute of Company Directors.

***Other current directorships***

Jonathan Trollip is Chairman of ASX-listed Future Generation Investment Company Limited and a non-executive Director of ASX listed Elemental Minerals Limited and a Director of Antipodes Global Investment Company Limited (an investment company proposed to be ASX listed in October 2016. He holds a number of private company directorships in the commercial and not-for-profit sectors including BCAL Diagnostics Pty Limited, the University of Cape Town Alumni Trust and Science for Wildlife Limited.

***Former directorships in last 3 years***

Jonathan Trollip has not held any other directorships of listed companies within the last three years.

***Special responsibilities***

Chairman of the Board

***Interests in shares and options***

Details of Jonathan Trollip's interests in shares of the Company are included in the Remuneration Report.

***Interests in contracts***

Jonathan Trollip has no interests in contracts of the Company.

**Information on directors (continued)**

**Chris Cuffe** Independent Director

***Experience and expertise***

Chris has many years of experience in building successful wealth management practices. Most notably he joined Colonial First State in 1988 and became its CEO two years later, leading the company from a start-up operation to Australia's largest investment manager.

In 2003 Chris became the CEO of Challenger Financial Services Group Limited and subsequently headed up Challenger's Wealth Management business. Chris is now involved in a portfolio of activities including a number of directorships, managing public and private investments and in various roles assisting the non-profit sector.

Chris holds a Bachelor of Commerce from the University of NSW and a Diploma from the Securities Institute of Australia. He is a Fellow of the Chartered Accountants Australia and New Zealand, a Fellow of the Institute of Company Directors and an Associate of the Financial Services Institute of Australasia. In October 2007 Chris was inducted into the Australian Fund Manager's RBS Hall of Fame for services to the investment industry. Chris is a founder/producer of online weekly financial newsletter Cuffelinks.

***Other current directorships***

Chris Cuffe is Chairman of UniSuper (the $55 billion superannuation scheme servicing the staff of universities and higher education sector across Australia), Chairman of Fitzpatrick Private Wealth and Atrium Investment Management (a national advisory and wealth management firm), a director of Argo Investments Limited (a listed investment company), a director of Antipodes Global Investment Company Limited (an investment company proposed to be ASX listed in October 2016), Chairman of Australian Philanthropic Services (a non profit organisation assisting philanthropists), and a director of Third Link Investment Managers (the manager of an Australian equities fund known as Third Link Growth Fund).

***Former directorships in last 3 years***

Chris Cuffe has not held any other directorships of listed companies within the last three years.

***Interests in shares and options***

Details of Chris Cuffe's interests in shares of the Company are included in the Remuneration Report.

***Interests in contracts***

Chris Cuffe has no interests in contracts of the Company.

**Geoffrey Wilson** Non-Independent Director

***Experience and expertise***

Geoffrey Wilson has over 35 years' experience in the Australian and international securities industry. He holds a Bachelor of Science Degree and a Graduate Management Qualification. He is also a Fellow of the Australian Institute of Company Directors and a Fellow of the Securities Institute of Australia.

***Other current directorships***

Geoffrey Wilson is currently Chairman of WAM Leaders Limited, WAM Capital Limited, WAM Research Limited, WAM Active Limited and the Australian Stockbrokers Foundation. He is the founder and a Director of Future Generation Global Investment Company Limited and Future Generation Investment Company Limited and a Director of Australian Leaders Fund Limited, Clime Capital Limited, Century Australia Investments Limited, Incubator Capital Limited, Sporting Chance Cancer Foundation, the Australian Fund Managers Foundation, Odyssey House McGrath Foundation, Australian Children's Music Foundation and he is a Member of the Second Bite NSW Advisory Committee. He is also founder and Director of investment management companies Wilson Asset Management (International) Pty Limited and MAM Pty Limited.

***Former directorships in last 3 years***

Geoffrey Wilson is a former Director of Cadence Capital Limited.

***Interests in shares and options***

Details of Geoffrey Wilson's interests in shares of the Company are included in the Remuneration Report.

***Interests in contracts***

Details of Geoffrey Wilson's interests in contracts of the Company are included in the Remuneration Report.

**Information on directors (continued)**

**Miles Staude** Non-Independent Director

***Experience and expertise***

Miles has 17 years' experience in investment management and research covering equity, commodity and currency markets. He has spent 9 years at the company's Investment Manager Metage Capital Limited where he is responsible for closed-end fund and equity trading and is primarily involved in event-driven and activist investments for the firm.

Prior to working for Metage Capital Limited, Miles spent 6 years as a sell side analyst at RBC Capital Markets based in both Sydney and London. He holds an Economics degree from Sydney University and is a CFA Charterholder.

***Other current directorships***

Miles is not currently a Director in any other companies.

***Former directorships in last 3 years***

Miles Staude has not held any other directorships of listed companies within the last three years.

***Special responsibilities***

Fund Manager

***Interests in shares and options***

Details of Miles Staude's interests in shares of the Company are included in the Remuneration Report.

***Interests in contracts***

Details of Miles Staude's interests in contracts of the Company are included in the Remuneration Report.

***Company secretary***

**Mark Licciardo** B Bus(Acc), GradDip CSP, FGIA, FCIS, FAICD (Company Secretary)

***Experience and special responsibilities***

Mark Licciardo is Managing Director of Mertons Corporate Services Pty Ltd (Mertons) which provides company secretarial and corporate governance consulting services to ASX listed and unlisted public and private companies.

Prior to establishing Mertons, Mark Licciardo was Company Secretary of the Transurban Group and Australian Foundation Investment Company Limited. Mark has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mark Licciardo is a former Chairman of the Governance Institute Australia (GIA) in Victoria and the Melbourne Fringe Festival, a fellow of GIA and the Australian Institute of Company Directors (AICD) and a Director of ASX listed Frontier Digital Ventures as well as several other public and private companies.

**Meetings of directors**

The number of meetings of the Company's board of Directors held during the year ended 30 June 2016, and the number of meetings attended by each Director were:

| | Directors' Meetings | |
|---|---|---|
| | **A** | **B** |
| Jonathan Trollip | 4 | 4 |
| Chris Cuffe | 4 | 4 |
| Geoffrey Wilson | 4 | 4 |
| Miles Staude | 4 | 4 |

A = Number of meetings attended
B = Number of meetings held during the time the Director held office during the year

**Remuneration report (audited)**

This report details the nature and amount of remuneration for each Director of Global Value Fund Limited in accordance with the Corporations Act 2001. The Company Secretary is remunerated under a service agreement with Mertons Corporate Services Pty Ltd.

***Details of remuneration***

All Directors of the Company are non-executive Directors. The Board from time-to-time determines remuneration of Directors within the maximum amount approved by the shareholders at the Annual General Meeting. Directors are not entitled to any other remuneration.

Fees and payments to Directors reflect the demands that are made on them and their responsibilities. The performance of Directors is reviewed annually. The Board determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors.

**Remuneration report (audited) (continued)**

***Details of remuneration (continued)***

The maximum total remuneration of the Directors of the Company has been set at $90,000 per annum. Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main Board activities.

Directors' remuneration is not directly linked to the Company's performance.

The following tables show details of the remuneration received by the Directors of the Company for the current and prior financial year.

| | Short term Employee benefits | Post-employment benefits | Total |
|---|---|---|---|
| **2016** | **Salary and fees** | **Superannuation** | |
| **Name** | **$** | **$** | **$** |
| Jonathan Trollip | 31,964 | 3,036 | 35,000 |
| Chris Cuffe | 27,397 | 2,603 | 30,000 |
| Geoffrey Wilson | 9,132 | 868 | 10,000 |
| Miles Staude | - | - | - |
| **Total director remuneration** | **68,493** | **6,507** | **75,000** |
| | | | |
| **2015** | | | |
| **Name** | | | |
| Jonathan Trollip | 31,964 | 3,036 | 35,000 |
| Chris Cuffe | 27,397 | 2,603 | 30,000 |
| Geoffrey Wilson | 9,132 | 868 | 10,000 |
| Miles Staude | - | - | - |
| **Total director remuneration** | 68,493 | 6,507 | 75,000 |

The Company has no employees other than Non-Executive Directors and therefore does not have a remuneration policy for employees.

The Directors are the only people considered to be key management personnel of the Company.

***Director related entity remuneration***

All transactions with related entities are made on normal commercial terms and conditions.

Miles Staude, a Director of the Company, is also an employee of the Manager, Metage Capital Limited.

The associated fees payable to the Manager are listed below:

*Management fee*

In its capacity as Manager, the Manager is entitled to receive a management fee of 0.125% per month (representing an annualised fee of 1.5% per annum) of the net value of the Portfolio. The Management Fee is calculated monthly and payable monthly in arrears. For the year ended 30 June 2016 the Manager was paid a management fee of $1,295,815 (2015: $865,059). As at 30 June 2016, the balance payable to the Manager was $134,987 (2015: $91,975).

*Performance fee*

In further consideration for the performance of its duties as manager of the Portfolio, the Manager may be entitled to be paid a performance fee equal to 15% of any portfolio out performance in excess of a hurdle return being 4% above the 1 year interest rate swap rate. Full details of the terms of the performance fee calculation are disclosed in Note 18 to the financial statements.

For the year ended 30 June 2016, in its capacity as manager, Metage Capital Limited was not paid a performance fee (2015: $1,498,987).

*Assignment fee*

By an assignment deed dated 16 May 2014, the Manager has assigned all right, title and interest to receive 25% of all management and performance fees payable under the Management Agreement to Boutique Investment Management Pty Limited (BIM), an entity associated with Geoffrey Wilson.

The Company has acknowledged this assignment and undertaken to the Manager and BIM to pay this amount at the same time as the balance of the management fee and performance fee are payable to the Manager. The Company owes no other obligations to BIM.

The Manager has undertaken to BIM not to terminate or amend the terms of the Management Agreement or waive any of its rights under the Management Agreement without the prior written consent of BIM.

**Remuneration report (audited) (continued)**

***Director related entity remuneration (continued)***

*Contracts*

Other than as stated above, no Director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related company with the Director of with a firm of which they are a member or with a company in which they have substantial financial interest since the inception of the Company.

***Equity instrument disclosures relating to directors***

As at the date of this report, the Company's Directors and their related parties held the following interests in the Company:

*Ordinary shares held*

| **2016** | | | | |
|---|---|---|---|---|
| **Director** | **Balance as at 28 September 2015** | **Acquisitions** | **Disposals** | **Balance as at 22 September 2016** |
| Jonathan Trollip ** | 200,000 | 140,000 | - | 340,000 |
| Chris Cuffe ** | 150,000 | 107,410 | - | 257,410 |
| Geoffrey Wilson ** | 1,095,001 | 3,195,170 | (3,240,170) | 1,050,001 |
| Miles Staude | - | - | - | - |
| | **1,445,001** | **3,442,580** | **(3,240,170)** | **1,647,411** |

| **2015** | | | | |
|---|---|---|---|---|
| **Director** | **Balance as at 1 July 2014** | **Acquisitions** | **Disposals** | **Balance as at 28 September 2015** |
| Jonathan Trollip ** | 200,000 | - | - | 200,000 |
| Chris Cuffe ** | 100,000 | 50,000 | - | 150,000 |
| Geoffrey Wilson ** | 1,000,001 | 95,000 | - | 1,095,001 |
| Miles Staude | - | - | - | - |
| | 1,300,001 | 145,000 | - | 1,445,001 |

*Options held*

| **2016** | | | | |
|---|---|---|---|---|
| **Director** | **Balance as at 28 September 2015** | **Acquisitions** | **Disposals** | **Balance as at 22 September 2016** |
| Jonathan Trollip ** | 200,000 | - | (200,000) | - |
| Chris Cuffe ** | 100,000 | - | (100,000) | - |
| Geoffrey Wilson ** | - | 3,120,085 | (3,120,085) | - |
| Miles Staude | - | - | - | - |
| | **300,000** | **3,120,085** | **3,420,085** | **-** |

| **2015** | | | | |
|---|---|---|---|---|
| **Director** | **Balance as at 1 July 2014** | **Acquisitions** | **Disposals** | **Balance as at 28 September 2015** |
| Jonathan Trollip ** | 200,000 | - | - | 200,000 |
| Chris Cuffe ** | 100,000 | - | - | 100,000 |
| Geoffrey Wilson ** | 1,000,000 | - | (1,000,000) | - |
| Miles Staude | - | - | - | - |
| | 1,300,000 | - | (1,000,000) | 300,000 |

** Held through direct and indirect interests

Directors and Director related entities acquired options in the Company on the same terms and conditions available to other shareholders.

The Directors have not, during or since the end of the financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

**End of remuneration report**

**Insurance and indemnification of officers and auditors**

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums.

The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company or the improper use by the Directors of their position.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Company.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

**Non-audit services**

During the year Pitcher Partners, the Company's auditor, did not perform any other services in addition to their statutory duties for the Company except as disclosed in Note 14 to the financial statements.

The Board of Directors is satisfied that the provision of other services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 14 did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to the auditor independence in accordance with the APES 110 *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

**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 13.

This report is made in accordance with a resolution of Directors.

Jonathan Trollip
Chairman

Sydney
23 September 2016

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

**AUDITOR'S INDEPENDENCE DECLARATION**
**TO THE DIRECTORS OF GLOBAL VALUE FUND LIMITED**
**ABN 90 168 653 521**

In relation to the independent audit for the year ended 30 June 2016, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of any applicable code of professional conduct.

This declaration is in respect of Global Value Fund Limited.

S WHIDDETT
Partner

PITCHER PARTNERS
Sydney

23 September 2016

### Statement of Profit or Loss and Other Comprehensive Income

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| **Income** | | | |
| 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 | | 3,126,253 | 522,737 |
| **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 | | (69,383) | (75,083) |
| **Total expenses** | | (2,633,326) | (3,207,951) |
| **Profit before income tax** | | **2,619,643** | 12,158,857 |
| Income tax expense | **5** | (708,171) | (3,619,958) |
| **Profit attributable to members of the Company** | | **1,911,472** | 8,538,899 |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year** | | **1,911,472** | 8,538,899 |
| | | **Cents** | **Cents** |
| **Earnings per share for profit attributable to the ordinary equity holders of the Company:** | | | |
| Basic earnings per share | **19** | 2.39 | 15.22 |
| Diluted earnings per share | **19** | 2.39 | 14.77 |

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

## Statement of Financial Position

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | **6** | 38,426,642 | 26,928,474 |
| Trade and other receivables | **7** | 258,198 | 80,008 |
| Financial assets at fair value through profit or loss | **8** | 71,042,097 | 51,742,134 |
| Deferred tax asset | **5** | 138,040 | 173,579 |
| **Total assets** | | **109,864,977** | 78,924,195 |
| **Liabilities** | | | |
| Trade and other payables | **9** | 312,385 | 1,777,083 |
| Current tax liability | **5** | 1,229,635 | 866,420 |
| Deferred tax liabilities | **5** | 392,544 | 2,722,015 |
| **Total liabilities** | | **1,934,564** | 5,365,518 |
| **Net Assets** | | **107,930,413** | 73,558,677 |
| **Equity** | | | |
| Issued capital | **10** | 102,013,197 | 65,019,778 |
| Profits reserve | **11** | 8,823,596 | 9,098,078 |
| Accumulated losses | **11** | (2,906,380) | (559,179) |
| **Total equity** | | **107,930,413** | 73,558,677 |

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

## Statement of Changes in Equity

| | Note | Issued capital $ | (Accumulated losses) $ | Profits reserve $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 30 June 2014** | | 1 | - | - | 1 |
| Profit for the year | | - | 8,538,899 | - | 8,538,899 |
| Other comprehensive income for the year | **11** | - | - | - | - |
| Transfer of profits during the year | **11** | - | (9,098,078) | 9,098,078 | - |
| Transactions with owners: | | | | | |
| Shares issued, net of transaction costs | **10** | 65,019,777 | - | - | 65,019,777 |
| **Balance at 30 June 2015** | | **65,019,778** | **(559,179)** | **9,098,078** | **73,558,677** |
| Profit for the year | **11** | - | 1,911,472 | - | 1,911,472 |
| Other comprehensive income for the year | | - | - | - | - |
| Transfer of profits during the year | **11** | - | (4,258,673) | 4,258,673 | - |
| Transactions with owners: | | | | | |
| Dividends paid | **12** | - | - | (4,533,155) | (4,533,155) |
| Shares issued on options exercised | **10** | 36,993,419 | - | - | 36,993,419 |
| **Balance at 30 June 2016** | | **102,013,197** | **(2,906,380)** | **8,823,596** | **107,930,413** |

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

## 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 | | (893,079) | (639,504) |
| **Net cash (used in) operating activities** | **18** | **(20,726,577)** | (38,128,269) |
| **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 | | (4,533,155) | - |
| **Net cash provided by financing activities** | | **32,460,264** | 64,814,675 |
| **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 | | (235,519) | 242,067 |
| **Cash and cash equivalents at end of financial year** | **6** | **38,426,642** | 26,928,474 |

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

## 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.

The financial statements were authorised for issue on 23 September 2016 by the Directors of the Company.

## 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 are presented below 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).

### (b) Financial instruments

(i) Initial recognition and measurement
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, trade date accounting is adopted, which is equivalent to the date that the Company commits to purchase or sell the assets. Financial instruments are initially measured at fair value. Transaction costs related to instruments classified "at fair value through profit or loss" are expensed to the profit or loss immediately.

(ii) Classification and subsequent measurement
Investments such as shares in publicly listed and unlisted companies, exchange traded call and put options and investments in fixed interest securities are subsequently measured at fair value and are presented in the profit or loss on a liquidity basis. The Company may short sell securities. Short sales or borrowed stock are classified as a financial liability and are revalued to fair value through the profit or loss.

(iii) Financial assets at fair value through profit or loss
Financial assets are classified "at fair value through the profit or loss" when they are held for trading for the purpose of short-term profit taking. Realised and unrealised gains and losses arising from changes in fair value are included in the profit or loss in the period in which they arise.

(iv) Derivative Instruments
Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the profit or loss.

(v) Fair value
Fair value is determined based on current market prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions and reference to similar instruments.

(vi) Derecognition
Financial assets are derecognised on a first-in first-out ("FIFO") basis where the contractual rights to receipt of cash flows expires or the asset is transferred to another party, whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the profit or loss.

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

**(c) Revenue recognition**

Dividend income is recognised in the profit or loss on the day on which the relevant investment is first quoted on an "ex-dividend" basis and is presented net of any unrecoverable withholding taxes.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset net of any withholding taxes.

**(d) Foreign currency**

The financial statements of the Company are presented in Australian Dollars (A$), which is the Company's functional and presentation currency.

Foreign currency transactions during the year are translated into Australian Dollars at the exchange rate at the transaction date. At each reporting date, assets and liabilities denominated in foreign currency are retranslated at the rates prevailing at the reporting date. Foreign exchange gains or losses resulting from the settlement of foreign denominated assets and liabilities will be recognised in profit and loss. Net exchange gains and losses arising on the revaluation of investments will be included in net gains or losses on investments.

**(e) Income tax**

The income tax expense/(benefit) for the period comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Current and deferred income tax expense/(benefit) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**(f) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of Financial Position.

**(g) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

**(h) Trade and other receivables**

Trade and other receivables relate to outstanding settlement as well as accrued income in relation to interest and dividends receivable. Trade receivables are generally due for settlement within 30 days.

**(i) Trade and other payables**

These amounts represent liabilities for outstanding settlements as well as services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised costs and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**(j) Issued capital**

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

**(k) Profits reserve**

A profits reserve has been created representing an amount allocated from retained earnings that is preserved for future dividend payments.

**(l) Dividends**

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company

**(m) Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of 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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**(n) Operating segments**

The Company has only one reportable segment. The Company is engaged solely in investment activities, deriving revenue from dividend income, interest income and from the sale of its investments.

The Company continues to have foreign exposure as it invests in companies which operate internationally.

**(o) Critical accounting estimates and judgements**

The Directors evaluate the estimates and judgements incorporated into the financial statements based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

There are no estimates or judgements that have a material impact on the Company's financial results for the year ended 30 June 2016. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgements are required in respect to their valuation.

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

**(p) New accounting standards and interpretations**

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed below:

AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

**3 Financial risk management**

The Company's financial instruments consist mainly of deposits with banks, trading portfolios, trade and other receivables and trade and other payables.

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Board of the Company, with the Investment Manager has implemented a risk management framework to mitigate these risks.

**(a) Market risk**

The standard defines this as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

*(i) Foreign exchange risk*

The Company invests in global listed securities and enters into transactions that are denominated in currencies other than its functional currency. Consequently, the Company is exposed to the movements in exchange rates that may have an adverse affect on the fair value of future cash flows of the Company's financial assets denominated in currencies other than Australian dollars.

The Investment Manager identifies measures and manages exchange rate risk by examining each component in the investment portfolio in a way that looks beyond the currency of denomination to the underlying exposures presented by each investment. These exposures are then aggregated across the portfolio so that overall currency risk can be assessed and managed as appropriate in accordance with the investment mandate. The Investment Manager has estimated and reported currency exposures of the investment portfolio as at 30 June 2016 as follows:

| | Net currency exposure | |
|---|---|---|
| | **30 June 2016** | **30 June 2015 *** |
| | % | % |
| United States Dollar | 44 | 39 |
| Euro | 21 | 19 |
| Pound Sterling | 4 | 13 |
| Chinese Renminbi | 3 | 11 |
| Other Currencies | 28 | 18 |
| | **100** | **100** |

*as percentage of portfolio exposure

### 3 Financial risk management (continued)

### (a) Market risk (continued)

*(ii) Price risk*

The Company is exposed to price risk. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets and financial liabilities at fair value through profit or loss.

The Company's portfolio of investments gives rise to price risk as follows:

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Australian and overseas equities | 68,569,243 | 50,917,108 |
| Derivative financial instruments [1] | 48,150,415 | 38,870,519 |
| | **116,719,658** | 89,787,627 |

[1] This represents the aggregate notional value of all derivatives

A detailed analysis of the Company's portfolio is presented on page 4. The sensitivity of derivative instruments to changes in price depends upon the notional value of the underlying instrument as this will determine the value of the contractual commitments as at the reporting date. The fair value of derivative instruments is derived from the movement in notional value since inception.

In view of the interrelationship between price risk, interest rate risk and currency risk, as well as the complexities of measuring the impact of price changes on a partially hedged portfolio, the Directors do not consider it possible or meaningful to provide a simple analysis of the sensitivity of the portfolio to general changes in price.

*(iii) Cash flow and fair value interest rate risk*

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities as defined by their future cash flows. Whilst the Company does not invest to any significant extent directly into fixed income securities, the Company does have some exposure to interest rates through the underlying exposures of its investments. The Investment Manager and the Board of Directors have estimated that the aggregate impact of these exposures on the broader portfolio is minimal. The Directors, therefore, do not consider it necessary, or meaningful, to provide an analysis of the sensitivity of the portfolio to changes in interest rates.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

| | Floating interest rate<br>$ | Non-interest bearing<br>$ | Total<br>$ |
|---|---|---|---|
| **At 30 June 2016** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | 38,426,642 | - | 38,426,642 |
| Trade and other receivables | - | 258,198 | 258,198 |
| Financial assets held at fair value through profit or loss | - | 71,042,097 | 71,042,097 |
| | **38,426,642** | **71,300,295** | **109,726,937** |
| **Financial liabilities** | | | |
| Trade and other payables | - | (312,385) | (312,385) |
| Current tax liabilities | - | (1,229,635) | (1,229,635) |
| | - | (1,542,020) | (1,542,020) |
| **Net exposure to interest rate risk** | **38,426,642** | **69,758,275** | **108,184,917** |

**3 Financial risk management (continued)**

*(iii) Cash flow and fair value interest rate risk (continued)*

| | Floating interest rate $ | Non-interest bearing $ | Total $ |
|---|---|---|---|
| **At 30 June 2015** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | 26,928,474 | - | 26,928,474 |
| Trade and other receivables | - | 80,008 | 80,008 |
| Financial assets held at fair value through profit or loss | - | 51,742,134 | 51,742,134 |
| | 26,928,474 | 51,822,142 | 78,750,616 |
| **Financial liabilities** | | | |
| Trade and other payables | - | (1,777,083) | (1,777,083) |
| Current tax liabilities | - | (866,420) | (866,420) |
| | - | (2,643,503) | (2,643,503) |
| **Net exposure to interest rate risk** | 26,928,474 | 49,178,639 | 76,107,113 |

**(b) 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 and from trading derivative products. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

The Company has entered into agreements that facilitate stock borrowing from its portfolio for covered short selling. These agreements are subject to a number of restrictions which limit the value of such borrowing. If the stock borrowing counterparty became insolvent, it is possible that the Company may not recover all of the borrowed stock from the counterparty.

The maximum exposure to credit risk, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

The Company held no collateral as security or any other credit enhancements.

None of the assets exposed to a credit risk are overdue or considered to be impaired.

***Management of the risk***

The risk was managed as follows:

- Receivable balances are monitored on an ongoing basis and the Company has no debts past due or impaired; and
- Non-derivative investment transactions are settled on a "Delivery versus payment" basis through international clearing systems. Derivative investment transactions are only contracted with Credit Suisse, an investment grade counter-party.

**(c) Liquidity risk**

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Manager maintains sufficient unencumbered cash balances to ensure the Company can meet its liabilities as and when they fall due.

The Company's inward cash flows depend upon the level of dividend, distribution revenue received and sale of liquid assets. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is managed by the Board and Manager.

The assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary.

### 3 Financial risk management (continued)

#### (c) Liquidity risk (continued)

*Maturities of financial liabilities*

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities at year end date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

*Contractual maturities of financial liabilities*

| | Less than 1 month $ | More than 1 month $ | Total contractual undiscounted cash flows $ |
|---|---|---|---|
| **At 30 June 2016** | | | |
| **Financial liabilities** | | | |
| Trade and other payables | 312,385 | - | 312,385 |
| Current tax liabilities | - | 1,229,635 | 1,229,635 |
| **Total financial liabilities** | **312,385** | **1,229,635** | **1,542,020** |

| | Less than 1 month $ | More than 1 month $ | Total contractual undiscounted cash flows $ |
|---|---|---|---|
| **At 30 June 2015** | | | |
| **Financial liabilities** | | | |
| Trade and other payables | 1,777,083 | - | 1,777,083 |
| Current tax liabilities | - | 866,420 | 866,420 |
| **Total financial liabilities** | 1,777,083 | 866,420 | 2,643,503 |

### 4 Fair value measurements

The Company measures and recognises its financial assets at fair value through profit or loss (“FVTPL”) on a recurring basis.

#### (a) Fair value hierarchy

*AASB 13: Fair Value Measurement* requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

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

*(i) Recognised fair value measurements*

The following table presents the Company’s assets and liabilities measured and recognised at fair value at 30 June 2016.

| **At 30 June 2016** | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | |
| Australian and overseas listed equity securities | 65,265,034 | 3,304,209 | - | 68,569,243 |
| Derivative financial instruments [1] | 2,472,854 | - | - | 2,472,854 |
| **Total financial assets** | **67,737,887** | **3,304,209** | **-** | **71,042,097** |

[1] As disclosed on page 4 and in Note 3(a)(ii), the aggregate notional value of all derivatives included in Level 1 of the fair value hierarchy is $48,150,415.

**4 Fair value measurements (continued)**

*(i) Recognised fair value measurements (continued)*

| At 30 June 2015 | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | |
| Australian and overseas listed equity securities | 45,588,577 | 5,328,531 | - | 50,917,108 |
| Derivative financial instruments [1] | 825,026 | - | - | 825,026 |
| **Total financial assets** | **46,413,603** | **5,328,531** | **-** | **51,742,134** |

[1] The notional value of derivatives included in Level 1 of the fair value hierarchy is $38,870,519.

Included within Level 1 of the hierarchy are listed investments. The fair value of these financial assets has been based on the closing quoted last prices at the end of the reporting year, excluding transaction costs.

The majority of investments included in Level 2 of the hierarchy include amounts due to be received upon the liquidation of closed end funds. As these funds ceased trading prior to the end of the year the valuation technique used to determine value attributed to these investments is, the fair value of all consideration due and payable to the Company by the liquidators of the investee fund.

There were no transfers between levels for recurring fair value measurements during the year.

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

*(ii) Recognised fair value measurements*

The carrying amounts of all financial instruments other than those measured at fair value on a recurring basis are considered to represent a reasonable approximation of their fair values.

**5 Income tax expense**

| | 2016 $ | 2015 $ |
|---|---|---|
| **(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** | **708,171** | 3,619,958 |
| 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** | **708,171** | 3,619,958 |

**(b) Current tax liability**

| | 2016 $ | 2015 $ |
|---|---|---|
| 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 | 3,002,103 | 866,420 |
| **Closing balance** | **1,229,635** | 866,420 |

| | 2016 $ | 2015 $ |
|---|---|---|
| **5 Income tax expense (continued)** | | |
| **(c) Deferred tax assets** | | |
| **The balance comprises temporary differences attributable to:** | | |
| Accruals | 14,979 | 9,499 |
| Capitalised costs | 123,061 | 164,080 |
| | **138,040** | 173,579 |
| **Movements:** | | |
| Opening balance | 173,579 | - |
| Charged/credited: | | |
| - to profit or loss | (35,539) | (31,523) |
| - directly to equity | - | 205,102 |
| **Closing balance** | **138,040** | 173,579 |
| **(d) Deferred tax liabilities** | | |
| **The balance comprises temporary differences attributable to:** | | |
| Fair value adjustments | 326,078 | 2,720,006 |
| Accruals | 66,466 | 2,009 |
| | **392,544** | 2,722,015 |
| **Movements:** | | |
| Opening balance | 2,722,015 | - |
| Charged/credited: | | |
| - to profit or loss | (2,329,471) | 2,722,015 |
| **Closing balance** | **392,544** | 2,722,015 |

**6 Cash and cash equivalents**

| | | |
|---|---|---|
| Cash at bank | **38,426,642** | 26,928,474 |

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.

**7 Trade and other receivables**

| | | |
|---|---|---|
| Dividends receivable | 213,726 | 15,189 |
| GST receivable | 32,197 | 35,382 |
| Other receivable | 12,275 | 29,437 |
| | **258,198** | 80,008 |

Receivables are non-interest bearing and unsecured.

**8 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 | 2,472,854 | 825,026 |
| | **71,042,097** | 51,742,134 |

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.

**9 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 | 157,367 | 118,442 |
| | **312,385** | 1,777,083 |

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

## 10 Issued capital

### (a) Share capital

| | 2016 No of shares | 2016 $ | 2015 No of shares | 2015 $ |
|---|---|---|---|---|
| Ordinary shares | 102,611,692 | 102,013,197 | 65,618,263 | 65,019,778 |

### (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.

### (c) Capital risk management

The Company's policy is to maintain a strong capital base so as to maintain investor and market confidence. The overall strategy remains unchanged.

To achieve this, the Directors monitor the monthly NTA results, investment performance, the Company's indirect costs and share price movements.

The Board is focused on maximising returns to shareholders with active capital management a key objective of the Company.

The Company is not subject to any externally imposed capital requirements.

| | 2016 $ | 2015 $ |
|---|---|---|
| **11 Profits reserve and accumulated losses** | | |
| **(a) Profits reserve** | | |
| Profits reserve | **8,823,596** | 9,098,078 |
| **Movements:** | | |
| Opening balance | 9,098,078 | - |
| Transfer of profits during the year | 4,258,673 | 9,098,078 |
| Dividends paid | (4,533,155) | - |
| | **8,823,596** | 9,098,078 |
| **(b) Accumulated losses** | | |
| Accumulated losses | **(2,906,380)** | (559,179) |
| **Movements:** | | |
| Opening balance | (559,179) | - |
| Net profit for the period | 1,911,472 | 8,538,899 |
| Transfer of profits during the year | (4,258,673) | (9,098,078) |
| | **(2,906,380)** | (559,179) |
| **12 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 | 1,454,805 | - |
| | **4,533,155** | - |
| **(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: | **3,078,351** | 1,312,365 |

**(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.

| | 2016 $ | 2015 $ |
|---|---|---|

**12 Dividends (continued)**

**(d) Dividend franking account**

The franked portions of the final dividends recommended 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.

| | 2016 $ | 2015 $ |
|---|---|---|
| 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 | 2,677,890 | - |
| Closing balance of franking account | **764,086** | 9,474 |
| Franking credits on dividends receivable | - | 3,605 |
| Adjustments for tax payable in respect of the current year's profits and the receipt of dividends | 1,229,635 | 866,420 |
| Adjusted franking account balance | **1,993,721** | 879,499 |
| Impact on the franking account of dividends proposed or declared but not recognised as at 30 June 2016 | (1,319,293) | (589,073) |
| Franking credits available for subsequent reporting periods based on a tax rate of 30.0% | **674,428** | 290,426 |

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.

**13 Key management personnel disclosures**

**(a) Key management personnel compensation**

| | 2016 $ | 2015 $ |
|---|---|---|
| Short-term employee benefits | 68,493 | 87,453 |
| Post-employment benefits | 6,507 | 8,497 |
| | **75,000** | 95,950 |

Detailed remuneration disclosures are provided in the remuneration report on pages 9 to 11.

**(b) Equity instrument disclosures relating to key management personnel**

*(i) Option holdings*

The numbers of options over ordinary shares in the Company that were held during the financial year by each Director, including their personally related parties, are set out below.

| **2016**<br>**Name** | **Balance at 1 July 2015** | **Granted** | **Disposed** | **Balance at 30 June 2016** |
|---|---|---|---|---|
| ***Directors of Global Value Fund Limited*** | | | | |
| Jonathan Trollip ** | 200,000 | - | (200,000) | - |
| Chris Cuffe ** | 100,000 | - | (100,000) | - |
| Geoff Wilson ** | - | 1,949,750 | (1,949,750) | - |
| Miles Staude | - | - | - | - |
| | **300,000** | **1,949,750** | **(2,249,750)** | **-** |

** held through direct and indirect interests

| **2015**<br>**Name** | **Balance at 1 July 2014** | **Granted** | **Disposed** | **Balance at 30 June 2015** |
|---|---|---|---|---|
| ***Directors of Global Value Fund Limited*** | | | | |
| Jonathan Trollip ** | - | 200,000 | - | 200,000 |
| Chris Cuffe ** | - | 100,000 | - | 100,000 |
| Geoff Wilson ** | - | 1,000,000 | (1,000,000) | - |
| Miles Staude | - | - | - | - |
| | - | 1,300,000 | (1,000,000) | 300,000 |

** held through direct and indirect interests

Directors and Director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders.

There were no options outstanding as at 30 June 2016.

## 13 Key management personnel disclosures (continued)

### (b) Equity instrument disclosures relating to key management personnel (continued)

*(ii) Shareholdings*

The numbers of shares in the Company held during the financial year by each Director, including their personally related parties, are set out below. There were no shares granted during the financial year as compensation.

**2016**

| Director | Balance at 1 July 2015 | Acquisitions/ options exercised | Disposals | Balance 30 June 2016 |
|---|---|---|---|---|
| Jonathan Trollip ** | 200,000 | 140,000 | - | 340,000 |
| Chris Cuffe ** | 100,000 | 157,410 | - | 257,410 |
| Geoffrey Wilson ** | 1,095,001 | 3,195,170 | (3,240,170) | 1,050,001 |
| Miles Staude | - | - | - | - |
| | 1,395,001 | 3,492,580 | (3,240,170) | 1,647,411 |

** Held through direct and indirect interests

**2015**

| Director | Balance at 1 July 2014 | Acquisitions/ options exercised | Disposals | Balance 30 June 2015 |
|---|---|---|---|---|
| Jonathan Trollip ** | - | 200,000 | - | 200,000 |
| Chris Cuffe ** | - | 100,000 | - | 100,000 |
| Geoffrey Wilson ** | 1 | 1,095,000 | - | 1,095,001 |
| Miles Staude | - | - | - | - |
| | 1 | 1,395,000 | - | 1,395,001 |

** Held through direct and indirect interests

## 14 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

**Pitcher Partners**

| | 2016 $ | 2015 $ |
|---|---|---|
| *Audit and other assurance services* | | |
| Audit and review of financial statements | 33,950 | 35,800 |
| Other assurance services | | |
| Other assurance | - | 34,807 |
| **Total remuneration for audit and other assurance services** | **33,950** | 70,607 |
| *Taxation services* | | |
| Tax compliance services | 13,650 | 29,160 |
| **Total remuneration of Pitcher Partners** | **47,600** | 99,767 |

The Board of Directors oversees the relationship with the Company's external auditors. The Board reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other audit-related tax compliance services provided by the audit firm, to ensure that they do not compromise independence.

## 15 Contingencies and commitments

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

## 16 Related party transactions

All transactions with related parties were made on normal commercial terms and conditions and at market rates. For the year ended 30 June 2016, there were no related party transactions entered into by the Company.

Miles Staude, a Director of the Company, is also an employee of the Manager, Metage Capital Limited. The associated fees payable to the Manager and other related entities are listed below:

**16 Related party transactions (continued)**

*Management fee*

In its capacity as manager, the Manager is entitled to receive a management fee of 0.125% per month (representing an annualised fee of 1.5% per annum) of the net value of the Portfolio. For the year ended 30 June 2016 the Manager was paid a management fee of $1,295,815 (2015: $865,059). As at 30 June 2016, the balance payable to the Manager was $134,987 (2015: $91,975).

*Performance fee*

In return for the performance of its duties as manager of the Portfolio, the Manager is entitled to be paid a performance fee (**Performance Fee**) of 15% of PO where PO for a Performance Calculation Period is calculated in accordance with the following formula:

PO = (AGAV) – (NAV x (1 + (HR x Day Count))

where:

**PO** is the portfolio outperformance to be used in calculating the Performance Fee outlined above;

**AGAV** is the adjusted gross asset value and calculated by adding back to the Gross Asset Value any Australian corporate taxes accrued or paid by the Company in the relevant Performance Calculation Period;

**NAV** is the Net Asset Value calculated on the last Business Day of the preceding Performance Calculation Period or, if there is no preceding Performance Calculation Period, on the commencement date of the Agreement.

**HR** is the hurdle rate which is 4 percentage points above the mid-price vanilla interest rate swap price series produced by Bloomberg, published on the last Business Day prior to the start of the Performance Period, or, if there is no preceding Performance Calculation Period, on the Commencement Date, represented on Bloomberg by the ADSWAP1Q Index series.

**Day count** is the number of days which have elapsed in the current Performance Calculation Period divided by 365.

Once a Performance Fee has been paid, no further Performance Fee may be accrued or paid unless and then only to the extent that the Adjusted Gross Asset Value increases above the level at which a Performance Fee was previously paid, or if no Performance Fee has been paid, above the Net Asset Value on the Commencement Date.

The Company must calculate the Performance Fee monthly and must pay the Performance Fee to the Manager annually in arrears within 20 business days of the end of the relevant Performance Calculation Period.

For the year ended 30 June 2016, in its capacity as manager, Metage Capital Limited was not paid a performance fee (2015: $1,498,987).

The term of the Management Agreement is 5 years unless terminated earlier in accordance with the Agreement.

*Assignment fee*

By an assignment deed dated 16 May 2014, the Manager has assigned all right, title and interest to receive 25% of all management and performance fees payable under the Management Agreement to Boutique Investment Management Pty Limited (BIM), an entity associated with Geoffrey Wilson.

The Company has acknowledged this assignment and undertaken to the Manager and BIM to pay this amount at the same time as the balance of the management fee and performance fee are payable to the Manager. The Company owes no other obligations to BIM.

The Manager has undertaken to BIM not to terminate or amend the terms of the Management Agreement or waive any of its rights under the Management Agreement without the prior written consent of BIM.

**17 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.

| | 2016 $ | 2015 $ |
|---|---|---|
| **18 Reconciliation of profit after income tax to net cash inflow from operating activities** | | |
| Profit for the year | 1,911,472 | 8,538,899 |
| Unrealised foreign exchange losses/ (gains) | 235,519 | (242,067) |
| Unrealised losses/ (gains) on market value movement | 4,397,764 | (8,824,619) |
| Change in operating assets and liabilities: | | |
| (Increase) in trade and other receivables | (178,190) | (80,008) |
| (Increase) in investments held for trading | (23,697,728) | (42,712,413) |
| Decrease/ (Increase) in deferred tax assets | 35,539 | (173,579) |
| (Decrease)/ Increase in trade and other payables | (1,464,697) | 1,777,083 |
| Increase in provision for income taxes payable | 460,090 | 866,420 |
| (Decrease)/ Increase in deferred tax liabilities | (2,426,346) | 2,722,015 |
| Net cash (outflow) from operating activities | **(20,726,577)** | (38,128,269) |

### 19 Earnings per share

| | 2016 | 2015 |
|---|---|---|
| Profit after income tax used in the calculation of earnings per share | **1,911,472** | 8,538,899 |

| | Cents | Cents |
|---|---|---|
| **(a) Basic earnings per share** | | |
| Basic earnings per share attributable to the ordinary equity holders of the Company | **2.39** | 15.22 |
| **(b) Diluted earnings per share** | | |
| Diluted earnings per share attributable to the ordinary equity holders of the Company | **2.39** | 14.77 |

| **(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 | **79,867,950** | 56,097,413 |
| Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share | **79,867,950** | 57,831,319 |
| Reconciliation of weighted average number of shares: | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 79,867,950 | 56,097,413 |
| 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 | **79,867,950** | 57,831,319 |

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

**Global Value Fund Limited**
**Directors' Declaration**
**For the year ended 30 June 2016**

In accordance with a resolution of the Directors of Global Value Fund Limited, the Directors of the Company declare that:

(a) the financial statements and notes set out on pages 14 to 32 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 2016 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) note 2(a) confirms that the financial statements also comply with International Financial Reporting standards as issued by the International Accounting Standards Board; and

(d) a Director of the Manager, Metage Capital Limited, has declared that:

    (i) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

    (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and

    (iii) the financial statements and notes for the year give a true and fair view.

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

Jonathan Trollip
Chairman

Sydney
23 September 2016

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF GLOBAL VALUE FUND LIMITED**
**ABN 90 168 653 521**

**Report on the Financial Report**

We have audited the accompanying financial report of Global Value Fund Limited (the Company), which comprises the statement of financial position as at 30 June 2016, the income statement, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of Global Value Fund Limited are responsible for the preparation and fair presentation 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 is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state that, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF GLOBAL VALUE FUND LIMITED**
**ABN 90 168 653 521**

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Opinion*

In our opinion:

a) the financial report of Global Value Fund Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; *and*

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 9 to 11 of the directors' report for the year ended 30 June 2016. 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.

*Opinion*

In our opinion, the Remuneration Report of Global Value Fund Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001.*

S M WHIDDETT
Partner

PITCHER PARTNERS
Sydney

23 September 2016

The Shareholder information set out below was applicable as at 30 August 2016.

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report, is listed below.

## A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

| | Class of equity security Ordinary shares | | |
|---|---|---|---|
| **Holding** | **No of Shareholders** | **Shares** | **Percentage (%)** |
| 1 – 1000 | 45 | 11,874 | 0.012 |
| 1,001 – 5,000 | 247 | 916,937 | 0.894 |
| 5,001 – 10,000 | 455 | 3,976,445 | 3.875 |
| 10,001 – 100,000 | 1,524 | 55,805,353 | 54.385 |
| 100,001 and over | 158 | 41,901,083 | 40.835 |
| | **2,429** | **102,611,692** | **100.000** |

There were 31 security holders with less than a marketable parcel of ordinary shares.

## B. Equity security holders

Twenty largest quoted equity security holders

| | Ordinary shares | |
|---|---|---|
| **Name** | **Number held** | **Percentage of issued shares (%)** |
| HSBC Custody Nominees (Australia) Limited | 6,923,284 | 6.747 |
| Basapa Pty Limited <Kehoe Family A/C> | 1,029,638 | 1.003 |
| Dynasty Peak Pty Limited <The Avoca Super Fund A/C> | 1,000,000 | 0.975 |
| Mrs Philippa Blomfield | 1,000,000 | 0.975 |
| Charanda Nominee Company Pty Limited <Greycliffe Super Fund A/C> | 1,000,000 | 0.975 |
| Mr Eric George Baker & Mrs Janine Marie Baker <Eric & Jan Baker Super Fund A/C> | 800,000 | 0.780 |
| Invia Custodian Pty Limited <Patricia Ilhan Family A/C> | 604,000 | 0.589 |
| Mr Michael Austin Wright & Mrs Mary Juanita Wright <MIJUA A/C> | 600,000 | 0.585 |
| Plush Nominees Pty Limited <Plush Superannuation A/C> | 500,000 | 0.487 |
| Holdrey Pty Limited <The Don Mathieson Family A/C> | 500,000 | 0.487 |
| Australian Philanthropic Services Foundation Pty Limited <APS Foundation A/C> | 490,204 | 0.478 |
| Mr Nicholas Paul Jenkins | 471,885 | 0.460 |
| Dirdot Pty Limited <Griffith Super Fund A/C> | 450,000 | 0.439 |
| Residential Villages (VIC) Pty Limited | 411,855 | 0.401 |
| OTP Pty Limited <OTP Super Fund A/C> | 409,127 | 0.399 |
| Mr Eric George Baker & Mrs Janine Marie Baker <Kameruka Super A/C> | 400,000 | 0.390 |
| Bammack Pty Limited <Bammack S/F #3 A/C> | 400,000 | 0.390 |
| Toscana Pty Limited | 400,000 | 0.390 |
| Jean Plummer | 400,000 | 0.390 |
| Piaster Pty Limited <Trollip Family S/F A/C> | 340,000 | 0.331 |
| **Total** | **18,129,993** | **17.669** |
| **Total remaining holders balance** | **84,481,699** | **82.331** |

### C. Substantial holders

| Name | Number held | Percentage of issued shares (%) |
|---|---|---|
| Managed Accounts Holdings Limited (managed Accounts) and its wholly owned subsidiary, Investment Administration Services Pty (IAS) | 6,636,967 | 6.468 |

### D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

Each share is entitled to one vote when poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

### E. Stock exchange listing

Quotation has been granted for all of the ordinary shares and options of the Company on all Member Exchanges of the ASX Limited.

### F. Unquoted securities

There are no unquoted shares.

### G. Securities subject to voluntary escrow

There are no securities subject to voluntary escrow.

### H. Brokerage

During the year ended 30 June 2016, the Company recorded 667 transactions (2015: 396) in securities. Total brokerage paid and accrued was $325,317 (2015: $233,101) for the year.

### I. On market buy-back

There is currently no on market buy-back.