Australian Leaders Fund Limited

ABN 64 106 845 970

Annual Report 2016

YEAR ENDED 30 JUNE 2016

Australian Leaders Fund
Level 6, 139 Macquarie Street NSW Sydney 2000

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COMPANY PARTICULARS

Australian Leaders Fund Limited

A.B.N. 64 106 845 970

Australian Leaders Fund Limited (ALF) is a listed investment company focusing on market leading companies in Australia and overseas. ALF has a long standing agreement with Watermark Funds Management Pty Ltd as the external manager of the investment portfolio (formerly Braitling Investments Pty Ltd).

DIRECTORS:	J. Braitling (Chairman) G. Wilson J. Abernethy J. Gosse
SECRETARY:	M. McShane
AUDITORS:	Pitcher Partners Sydney
COUNTRY OF INCORPORATION:	Australia
REGISTERED OFFICE:	Australian Leaders Fund Limited Suite 2, Level 6, 139 Macquarie Street Sydney NSW 2000
CONTACT DETAILS:	Mail Address: Suite 2 Level 6, 139 Macquarie Street Sydney NSW 2000 Telephone: (02) 9252 0225 Fax: (02) 9252 1220 Email: info@wfunds.com.au For enquiries regarding net asset backing (as advised each month to the Australian Securities Exchange) call (02) 8262 2800.
SHARE REGISTRAR:	Boardroom Pty Limited (previously Registries Limited) Level 12, 225 George Street Sydney NSW 2000 Telephone: (02) 9290 9600 Fax: (02) 9279 0664 For all enquiries relating to shareholdings, dividends (including participation in the Dividend Reinvestment Plan) and related matters, please contact the share registrar.
STOCK EXCHANGE:	Australian Securities Exchange (ASX) The home exchange is Sydney. ASX code: ALF Ordinary shares

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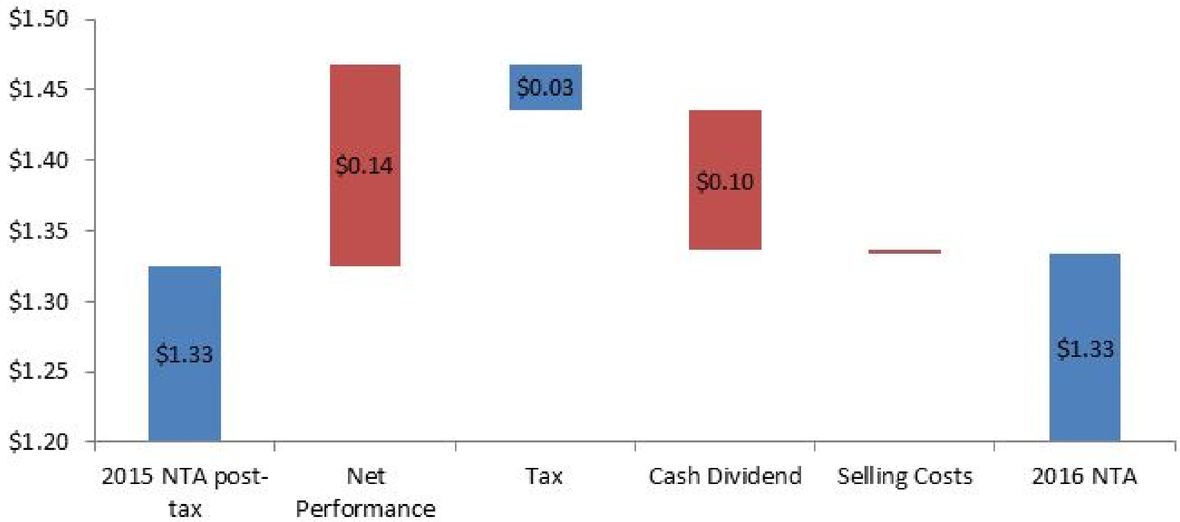
Chairman's Letter

Australian Leaders Fund (ALF) reported strong profit growth for the period ending June 30 2016 with after tax profit rising to $29 million. As at the 30 June, the after tax net tangible asset backing (NTA) of ALF was $1.33 per share. Having paid 10 cents of fully franked dividends in respect of FY16, the balance of performance related accretion in the NTA was accounted for by the payment of tax. By virtue of its absolute return focus, ALF can generate investment returns independent of the prevailing direction of share markets. As such, the Investment Manager was able to deliver healthy profits in a difficult year for the Australian share market, allowing the Board to maintain the dividend at 10 cents per share, fully franked.

Figure 1: NTA Bridge



The gross portfolio value increased by 15.4% over the course of the financial year. This is compared with the All Ordinaries Accumulation Index which increased by 2%, with all of the return coming by way of dividends which offset a negative capital return for the period. With the outlook for shares here and abroad increasingly uncertain, the value of an investment strategy that provides scope to hedge out share market risk will be starkly realised. During periods of uncertainty, ALF will retain little or no net exposure to the share market and may in fact be net short at times. As such, Fund returns likely to demonstrate little or no correlation with the underlying share market.

Since inception, the net value of the portfolio has increased by 401.8% while the benchmark All Ordinaries Accumulation Index has increased by 173.2%. The investment process has added 228.5% to the value of your Company (after all fees and expenses). The Board has endeavoured to return a significant portion of this to shareholders via ordinary and special dividends (110.5c paid to date; 115.5c declared to date).

After slipping to a modest discount to NTA in the final months of FY15, the price of the Company’s shares rebounded strongly with the new financial year. ALF shares traded well through the period year, reaching a peak of $1.58 per share in March and maintaining a consistent premium to the Company’s NTA. The Board remain vigilant in monitoring where the shares trade relative to NTA, mindful of the risks that arise when the shares diverge materially from the value of the Company’s assets and of the capital management options at its disposal.

Having generated solid returns from its investments in international shares, the Investment Manager has validated the Board’s decision in December 2014 to extend the Company’s investment mandate to allow for investments in offshore markets. In recognition of the value that has been created the board has lifted the limit on international shares further to up to 50% of the balance sheet.

The Australian share market rose again in FY16 as the global reflation cycle continued, spurred on by ultra-easy monetary policy from central banks around the world. Notwithstanding this continued support for risk assets such as shares, weak global growth has led to brittle recoveries in many developed economies, with risks weighing heavily on investor sentiment.

As we enter the early stages of what will be a prolonged period of normalisation in interest rates around the world, the medium-term outlook for global share markets is unclear and risks remain. It is clear however, from economic data and anecdotal information from Australian companies, that top line growth will be subdued and that we are in a low-return environment for shares for some time.

Your Company is well positioned to deal with the prevailing market conditions. By virtue of its ability to hedge share market risks, ALF offers protection against a major set-back in the share market. For the same reasons, returns are less dependent on a rising share market, successful security selection will once again be the key.

Justin Braitling

Chairman

Sydney
16 August 2016

Chief Investment Officer's Report

The first half of FY16 saw the portfolios maintain their strong performance, even as share markets globally lost ground. Whilst conditions for long/short investors turned more challenging in the new calendar year, portfolio returns were stable and the solid performance continued. The Fund delivered a strong net return of 11.4% for the full year to June 30 2016 as compared with the benchmark All Ordinaries Accumulation Index with rose by 2.62%. Counter cyclical rallies early in the period provided an opportunity to take the Fund to a net short exposure for the first time since the GFC. We retained this positioning for much of the year, delivering reasonable returns in strong months for the market and posting strong performance when markets fell late in 2015 and again in June.

Our endeavours in international shares have continued to make strong a strong contribution to Fund returns. Having remained relatively constant at 10-12% of our gross balance sheet for much of 2015, international exposure was increased in the 3rd quarter as new investment ideas in international shares were incorporated into the portfolios. Having approached our 20% limit by the end of 2015 and with more opportunities presenting themselves, the Board's resolution to increase the limit for international investments provided scope to incorporate successful investments in companies such as Group Eurotunnel and Merck & Co. International shares contributed 15% of the Fund's gross portfolio return in FY16 and importantly, our international research continues to yield deeper insights into our investigation of Australian companies.

Global share markets were volatile for the most part in FY16, although there were several key themes presenting both challenges and opportunities through the period. Mining and energy shares continued to come under pressure, with sustained falls in the price of most commodities, in particular oil, bulk commodities and certain industrial metals. These sectors led the market lower in the first half of the year, before renewed stimulus in China led to a surprise improvement in demand and a sharp, counter-cyclical rally.

The domestic banking sector was another part of the market that saw significant falls in the first half. Australian banks in particular came under pressure as APRA announced new policies in respect of the Banks' capital strength, with most forced into repeated capital management initiatives. Coupled with weak earnings trends and increased default rates in their corporate loan books, the major banks now face the daunting prospect of cutting dividends.

The RBA has been walking a tightrope for some time, balancing effervescent residential property prices on the east coast of Australia, with the deflationary effects of the mining downturn and a general lethargy in the industrial economy. Property-related sectors such as building materials and discretionary retail have been significant beneficiaries of these trends providing rare pockets of growth. The RBA's hand was forced in the second half, with rate cuts designed to stave off looming deflationary pressures trends and to devalue the resilient Australian dollar. Nevertheless, it is difficult to see further appreciation in property prices form here, and with household income stalling, we see risks ahead for many of the industries than have benefitted from these favourable trends.

Defensive shares were a strong contributor to performance in the period. The healthcare sector performed particularly well as a weight of funds flowing out of banks and miners forced prices of many market darlings sharply higher, pushing valuations to extreme levels. Short positions in a number of expensive, weaker businesses performed well through the year. We have held a negative view of the major Australian grocery sector for some time, with both major players battling competition from discount retailers.

Fortunes have been mixed for cyclical shares over the last 12 months. Business and consumer sentiment has been subdued, given the weak outlook for global growth and the unstable political backdrop. There continues to be pronounced bifurcation within the media sector as winners and losers emerge in an evolving digital landscape. Fairfax Media Ltd is an interesting example of a company that had fallen out of favour with investors due to challenges for its traditional media business, which has nevertheless performed well as a result of its strong digital real estate franchise in Domain. FY16 also saw the demise of the recently listed Spotless Group and Dick Smith Holdings. Brought to market by their private equity owners, both companies were burdened with debt and had inexperienced management teams at the helm. This has been an all too common set up for corporate collapses in recent years and both were successful shorts for the Company in FY16.

Chief Investment Officer's Report (continued)

The portfolios were well-positioned in the first half of FY16 for the downturn in banking shares. The capital impost imposed by APRA was clearly flagged and with bad and doubtful debts at all-time lows, the major banks looked vulnerable to a de-rating by the market. Given its poorly executed Asian strategy and the capital strain that it caused, a short position in Australia and New Zealand Banking Group made a strong contribution. An investment in Smartgroup Corporation was the best performer in the period, an example of a high quality IPO with strong prospects for growth.

Given the violent falls in mining and energy shares followed by a rapid rebound in February 2016, positons in this sector provided some of the largest individual contributions. The dramatic fall in the price of oil saw speculative developments in shale oil and natural gas post big losses. The Company’s core short in Liquified Natural Gas Ltd was the best performing short in the period. Short positions in Glencore and First Quantum Minerals also performed well as the price of copper fell. The lithium sector has enjoyed a resurgence in recent times, enjoying increases in demand with the electric vehicle revolution. The Company’s investment in Orocobre Ltd was a beneficiary of this theme.

One clear trend in recent years has been the secular slowing in global growth. Shifting demographics, weak productivity, and deleveraging are all features of this deceleration. The precipitous fall in bond yields over the course of FY16 reflects this outlook, with many sovereign bond issues now trading below the zero bound. Our own 10 year Commonwealth government bond has slipped to 1.8%, fractionally above the cash rate. With the yield structure so flat and no carry or compensation for duration, it is hard to see any scenario where bonds can deliver anything but horrible returns in the medium term. Investors have been left with few choices, explaining the resilience of shares in the face of disturbing developments both politically and economically.

We feel more confident than ever in the merits of hedging strategies like those employed by Watermark. Bond yields are telling us the outlook for growth is as weak as it has been in a generation. There is no carry, a passive, buy and hold strategy will deliver low returns at best. Only an active strategy that can deliver enhanced returns through security selection stands a chance of delivering acceptable returns in this climate.

Justin Braitling
Chief Investment Officer
Watermark Funds Management

Company Profile

Investment Objective

The Company's investment objective is to deliver superior returns with reduced market risk while returning a consistent stream of fully franked dividends to Shareholders.

Investment Philosophy

The Manager believes successful investing requires the following skills:

- An ability to evaluate the true worth of a business and the management charged with running it;
- An understanding of how and why a company's shares come to be mispriced; and
- An appreciation of the risks that may undermine the investment case.

Employing these skills, the Manager believes the best investment opportunities arise when shares in strong, well managed companies can be purchased on attractive terms. These companies typically exhibit the following characteristics:

- A history of superior returns through the economic cycle;
- Management with a track record of creating and distributing value to shareholders; and
- Businesses with a capacity to grow.

Consistent with these same principles, in selecting shares to short sell the Manager looks to sell the shares of companies with weak fundamentals on occasions when they become overvalued.

Investment Process

The Manager's investment process is a fundamentally driven, security selection process based on sound investment ideas taken from the investment universe of listed Australian and international securities. A summary of the investment process is set out below.

Investment Universe

The universe from which investments can be selected comprises companies listed in Australia and on international exchanges. The Company may invest up to 50% of its gross exposure in international shares. While the primary focus is Australian shares, access to international shares provides the Manager with the opportunity to better express its investment ideas while developing deeper insights into Australian companies that compete in global markets.

Security Selection

Investment ideas come from monitoring economic and industry trends as well as extensive contact with company management and industry sources.

Once identified, investment opportunities are screened to ensure they are of an investment grade. A full qualitative assessment of the proposed investment is completed to establish whether the business is of a suitable quality and attractively priced.

Qualitative Review

Once a suitable investment opportunity has been identified, a full review of financial performance will be completed. This is usually followed by a meeting with management to further develop an understanding of the business and the management philosophy. Where possible, representatives of the Manager will also meet with suppliers, regulators, competitors and customers to gauge the competitive environment.

Short Selling

Short selling is an important part of the investment strategy employed by the Manager. It is intended that approximately 40 - 60% of the Company's balance sheet will be funded from the proceeds of short sales.

The Manager employs a similar security selection process as above, but is looking for the opposite qualities in companies to borrow and sell. The Manager believes the best "shorting" opportunities are found in poorly managed companies with weak fundamentals where the shares in those companies can be sold for more than they are worth.

When targeting companies to borrow and sell (short), the Manager will target:

- A history of inferior returns.
- Management with a poor track record.
- Businesses operating in highly competitive industries that are struggling to grow.
- Securities which are expensive on a range of valuation measures.

Portfolio Construction

Unlike a traditional fund, the Manager constructs two portfolios, a long and a short portfolio with the weighting of each investment in each portfolio loosely correlated with the level of conviction around individual investment ideas.

This process ensures the Manager constructs portfolios around the best individual investment ideas, with the highest conviction, while retaining a bias in favour of good, well managed companies to buy (long), and weaker businesses to sell (short).

The relative size of the two portfolios is a consequence of the quantity and quality of investment ideas the manager can identify to buy and sell. Macroeconomic and sector research will influence the overall weighting of each investment, along with sector weights and the size of the two portfolios.

The relative size of the long and short portfolios will determine the net market exposure. The larger the short portfolio relative to the long portfolio the lower will be the net market exposure and the higher the cash weighting. If the portfolios are of equal size the fund is market neutral with no net market exposure. The investment process allows the manager the scope to pursue the full range of market risk settings. The fund can be fully invested, market neutral, net short or anywhere in between.

Investments at Market Value

	$	
Consumer Services		
Ainsworth Game Technology Limited	3,206,298	0.82%
Crown Resorts Limited	6,838,126	1.74%
SKYCITY Entertainment Group Limited	5,414,915	1.38%
Tabcorp Holdings Limited	7,992,825	2.04%
	23,452,163	**5.98%**
Media		
APN Outdoor Group Ltd.	2,047,202	0.52%
Fairfax Media Limited	10,861,069	2.77%
Village Roadshow Limited	3,743,467	0.95%
	16,651,738	**4.24%**
Retailing		
Automotive Holdings Group Limited	4,174,860	1.06%
Kathmandu Holdings Limited	2,881,703	0.73%
Super Retail Group Limited	9,231,451	2.35%
	16,288,014	**4.14%**
Food Beverage & Tobacco		
Bega Cheese Limited	787,142	0.20%
Coca-Cola Amatil Limited	7,306,882	1.86%
Pernod Ricard SA	3,784,233	0.96%
	11,878,257	**3.02%**
Energy		
Eni SpA Sponsored ADR	5,551,939	1.41%
Karoon Gas Australia Ltd	2,809,673	0.72%
Royal Dutch Shell Plc Class B	7,540,898	1.92%
	15,902,511	**4.05%**
Banks		
ABN AMRO Group N.V. Shs Depositary receipts	3,850,150	0.98%
Bank of Queensland Limited	9,366,484	2.39%
	13,216,635	**3.37%**
Diversified Financials		
AMP Limited	4,356,500	1.11%
IOOF Holdings Ltd	4,885,951	1.24%
ING Groep NV Cert. of Shs	3,529,378	0.90%
	12,771,829	**3.25%**
Insurance		
American International Group, Inc.	7,243,500	1.85%
Suncorp Group Limited	7,119,831	1.81%
	14,363,332	**3.66%**
Real Estate		
Goodman Group	4,122,421	1.05%
Westfield Corporation	7,595,846	1.94%
	11,718,267	**2.99%**
Health Care Equipment & Services		
Impedimed Limited	1,689,749	0.43%
Quintiles Transnational Holdings, Inc.	5,920,908	1.51%
Ramsay Health Care Limited	11,403,597	2.91%
Resmed Inc CHESS Depositary Interests on a ratio of 10 CDIs per ord.sh	9,209,854	2.35%
	28,224,108	**7.20%**
Pharmaceuticals Biotechnology & Life Sciences		
Ionis Pharmaceuticals, Inc.	4,617,557	1.18%
Celgene Corporation	6,462,477	1.65%
Merck & Co., Inc.	12,528,822	3.19%
Novartis AG	9,327,878	2.38%
	32,936,733	**8.40%**

	$	
Capital Goods		
RCR Tomlinson Ltd	1,735,176	0.44%
Reliance Worldwide Corp. Ltd.	4,978,905	1.27%
	6,714,081	**1.71%**
Commercial & Professional Services		
Downer EDI Limited	5,214,162	1.33%
Smartgroup Corporation Ltd	6,362,588	1.62%
	11,576,750	**2.95%**
Transportation		
Auckland International Airport Limited	8,396,834	2.14%
Transurban Group Ltd.	11,940,050	3.04%
	20,336,883	**5.18%**
Semiconductors & Semiconductor Equipment		
Ambarella, Inc.	3,470,993	0.88%
	3,470,993	**0.88%**
Software & Services		
Alphabet Inc. Class C	5,301,824	1.35%
MYOB Group Ltd.	7,152,129	1.82%
NYX Gaming Group Limited	3,523,700	0.89%
	15,977,653	**4.06%**
Technology Hardware & Equipment		
Nokia Oyj	9,270,438	2.36%
	9,270,438	**2.36%**
Materials		
Adelaide Brighton Ltd	6,259,672	1.59%
Alacer Gold Corp Shs Chess Depository Interests repr 1 Sh	4,937,491	1.26%
CSR Limited	7,041,514	1.79%
Evolution Mining Limited	8,058,412	2.06%
Goldcorp Inc.	5,820,751	1.48%
Independence Group NL	5,205,091	1.33%
Iluka Resources Limited	4,211,199	1.07%
Incitec Pivot Limited	4,527,617	1.15%
Orora Ltd.	9,574,040	2.44%
Orocobre Limited	6,383,130	1.63%
Rio Tinto Limited	13,477,010	3.44%
Sims Metal Management Limited	1,992,129	0.51%
Tiger Resources Limited	1,108,281	0.28%
	78,596,336	**20.03%**
Telecommunication Services		
China Mobile Limited	9,806,123	2.50%
BT Group plc	3,978,916	1.01%
Vivendi SA	13,675,709	3.49%
Vocus Communications Limited	5,125,658	1.31%
	32,586,406	**8.31%**
Utilities		
AGL Energy Limited	8,909,955	2.27%
Spark Infrastructure Group Ltd.	7,646,038	1.95%
	16,555,992	**4.22%**
Total Long Portfolio	**392,489,119**	**100.00%**
Total Short Portfolio	**(445,579,593)**	

Corporate Governance Statement

As an ASX-listed company, Australian Leaders Fund Ltd ("ALF") and its directors are committed to responsible and transparent financial and business practices to protect and advance shareholders' interests. The Company's strong corporate governance practices are based on the ASX Corporate Governance Principles and Recommendations.

The Board has adopted these ASX principles and recommendations which are complemented by the Company's core principles of honesty and integrity. The corporate governance policies and practices adopted by the Board are outlined in ALF's Corporate Governance section http://wfunds.com.au/fund/australian-leaders-fund/corporate-governance/.

Directors' Report

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

Directors

The following persons were directors of Australian Leaders Fund Limited during the financial year and up to the date of this report:

Justin Braitling (Chairman)
Geoffrey Wilson (Non-Executive Director)
John Abernethy (Non-Executive Director)
Julian Gosse (Non-Executive Director)

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

Principal activities

During the financial year, the principal activities of the Company were making investments in listed companies and unlisted companies.

There was no significant change in the nature of the activity of the Company during the year.

Dividends

Dividends paid to members since the end of the previous financial year were as follows:

	Dividend Rate	Total Amount	Date of Payment	% Franked
2016				
Ordinary shares - final 2015	$0.05	$12,815,832	28/10/2015	100
Ordinary shares - interim 2016	$0.05	$13,426,226	14/04/2016	100
2015				
Ordinary shares - final 2014	$0.06	$15,194,660	28/10/2014	100
Ordinary shares - interim 2015	$0.05	$12,737,784	14/04/2015	100

In addition to the above dividends, since the end of the financial period the Directors have recommended the payment of a final fully franked ordinary dividend of 5 cents per fully paid share with an ex date of 10 October 2016 and a record date of 11 October 2016, to be paid on 26 October 2016, out of the profits reserve at 30 June 2016.

Review of operations

Information on the operations and financial position of the Company and its business strategies and prospects is set out in the review of operations and activities on pages 3 to 4 of this Annual Report.

The profit/(loss) from ordinary activities after income tax amounted to $29,040,927 (2015: loss of $6,144,815).

The net tangible asset backing for each ordinary share as at 30 June 2016 amounted to 133 cents per share (2015: 133 cents per share). The equivalent asset backing before tax was 133 cents per share (2015: 132 cents per share).

The gross portfolio value increased 15.4% over the financial year while the All Ordinaries Accumulation Index increased by 2.0%, representing an outperformance of 13.4%. After deducting costs in funding the balance sheet, along with management fees and other expenses, the fund reported a positive 11.2% return for the year.

Review of operations (continued)

Further information on the operating and financial review of the Company is contained in the Chairman's Letter on page 1 and the Chief Investment Officer's Report on page 3 of the Annual Report.

Financial Position

The net asset value of the Company for the current financial year ended was $361,747,985 (2015: $340,890,412).

Significant changes in the state of affairs

It was announced on the 15th of February 2016 that the Board had approved an amendment to the Company’s investment mandate, increasing the Fund’s allowable investments in international shares. The Investment Manager can now invest up to 50% of the Fund’s gross exposure in international shares.

Other than the matter 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 year

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 the members. This will require continual review of the investment strategies that are currently in place and may require changes to these strategies to maximise returns.

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

Justin Braitling *Chairman* Age 49

Experience and expertise
Justin Braitling has over 25 years experience in investing in Australian and international companies. He was an Investment Analyst and Portfolio Manager at Bankers Trust for 12 years from January 1991 to June 2002. He was a key member of the investment team at Bankers Trust that was consistently ranked in the top quartile of managers by InTech.

Justin Braitling has been a Director of the Company since October 2003 of which he became Chairman in February 2007.

Other current directorships
Justin Braitling is the sole Director of the investment management company, Watermark Funds Management Pty Limited, and is also a director of Watermark Market Neutral Fund Limited (appointed May 2013).

Former directorships in last 3 years
Justin Braitling 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 Justin Braitling’s interests in shares of the Company are included later in this report.

Information on directors (continued)

Interests in contracts
Details of Justin Braitling's interests in contracts of the Company are included later in this report.

Geoffrey Wilson Non-Executive Director Age 58

Experience and expertise
Geoffrey Wilson has over 30 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 Institute of Company Directors and a Senior Fellow of the Financial Services Institute of Australasia.

Geoffrey Wilson has been a Director of the Company since October 2003 and was Chairman from this time until February 2007.

Other current directorships
Geoffrey Wilson is the Chairman of WAM Capital Limited (appointed March 1999), WAM Research Limited (appointed June 2003), WAM Active Limited (appointed July 2007), WAM Leaders Limited (appointed March 2016) and the Australian Stockbrokers Foundation Limited. He is a Director of Clime Capital Limited (appointed November 2003) and Incubator Capital Limited (appointed February 2000), Sporting Chance Cancer Foundation, Australian Children's Music Foundation, Odyssey House McGrath Foundation, Future Generation Investment Company Limited, Global Value Fund Limited, Century Australia Investments Limited and Future Generation Global Investment Company Limited 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 was a director of Cadence Capital Limited from February 2005 until January 2013.

Special responsibilities
Member of the Audit Committee.

Interests in shares and options
Details of Geoffrey Wilson's interests in shares of the Company are included later in this report.

Interests in contracts
Details of Geoffrey Wilson's interests in contracts of the Company are included later in this report.

John Abernethy Non-Executive Director Age 57

Experience and expertise
John Abernethy has over 30 years experience in funds management and corporate advisory. He holds a Bachelor of Commerce and Bachelor of Laws (BCom/LLB) from the University of New South Wales. He spent ten years at NRMA Investments as Head of Equities. In 1994 he joined Poynton Corporate Limited as an Executive Director before forming Clime Investment Management Limited in 1996.

John Abernethy has been a Director of the Company since November 2003.

Other current directorships
John Abernethy is the Chairman of Clime Capital Limited. He is a Director of Clime Investment Management Limited, Jasco Holdings Limited, WAM Research Limited (appointed May 2002), WAM Active Limited (appointed November 2007) and Watermark Market Neutral Fund Limited (appointed May 2013).

Former directorships in last 3 years
John Abernethy has not held any other directorships of listed companies within the last three years.

Special responsibilities
Member of the Audit Committee.

Interests in shares and options
Details of John Abernethy's interests in shares of the Company are included later in this report.

Information on directors (continued)

Interests in contracts
John Abernethy has no interests in contracts of the Company.

Julian Gosse Non-Executive Director Age 66

Experience and expertise
Julian Gosse has extensive experience in banking and broking both in Australia and overseas having worked in London for Rowe and Pitman, in the United States for Janney Montgomery and Scott and in Canada for Wood Gundy. He has been involved in the establishment, operation and ownership of several small businesses.

Julian Gosse has been a Director of the Company since October 2003.

Other current directorships
Julian Gosse is a Director of WAM Research Limited (appointed June 2003) and Clime Capital Limited (appointed November 2003) and Iron Road Limited (appointed Chairman from April 2009 until October 2012).

Julian Gosse became a non-executive director of Iron Road Limited in October 2012.

Former directorships in last 3 years
Julian Gosse was a director of ITL Limited from September 2003 until December 2013.

Special responsibilities
Chairman of the Audit Committee.

Interests in shares and options
Details of Julian Gosse's interests in shares of the Company are included later in this report.

Interests in contracts
Julian Gosse has no interests in contracts of the Company.

Company secretary

Peter Roberts of White Outsourcing Pty Limited resigned as Company Secretary, effective 27 April 2016. Following the resignation, Matthew McShane of White Outsourcing Pty Limited was appointed as Company Secretary, effective 27 April 2016.

Matthew McShane has more than 20 years' experience in the financial services industry covering executive roles in Custody, Administration and Funds Management.

Mr McShane has a Masters degree in Applied Finance and is a Member of the Australian Institute of Company Directors.

Meetings of directors

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

	Directors' Meetings		Meetings of committees					
			Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B
Justin Braitling	5	5	*	-	-	-	-	-
Geoffrey Wilson	3	5	2	3	-	-	-	-
John Abernethy	5	5	3	3	-	-	-	-
Julian Gosse	5	5	3	3	-	-	-	-

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year
* Not a member of the relevant committee

Remuneration report (audited)

This report details the nature and amount of remuneration for key management personnel of Australian Leaders Fund Limited in accordance with the *Corporations Act 2001.*

The Board from time to time determines remuneration of Non-Executive Directors within the maximum amount approved by the shareholders. Non-Executive Directors are not entitled to any other remuneration.

Fees and payments to Non-Executive Directors reflect the demands that are made on and the responsibilities of the Directors and are reviewed annually by the Board. The Company determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors.

Directors' base fees are set at a maximum of $140,000 per annum. Non-Executive Directors do not receive bonuses nor are they issued options on securities. Directors' fees cover all main board activities and membership of committees. Under the ASX Listing Rules, the maximum fees paid to non-executive Directors may not be increased without approval from the Company at a general meeting. Directors will seek approval from time to time as appropriate.

Details of remuneration

The following tables show details of the remuneration received by key management personnel of the Company for the current and previous financial year.

2016	Short-term employee benefits	Post-employment benefits	
Name	Salary and fees $	Superannuation $	Total $
Non-executive Directors			
Geoffrey Wilson	9,133	867	10,000
John Abernethy	31,963	3,037	35,000
Julian Gosse	35,000	-	35,000
Sub-total non-executive directors	76,096	3,904	80,000
Executive Director			
Justin Braitling	9,133	867	10,000
Other key management personnel			
Peter Roberts *	-	-	-
Matthew McShane *	-	-	-
	-	-	-
Total key management personnel compensation	85,229	4,771	90,000

2015	Short-term employee benefits	Post-employment benefits	
Name	Salary and fees $	Superannuation $	Total $
Non-executive Directors			
Geoffrey Wilson	9,133	867	10,000
John Abernethy	31,963	3,037	35,000
Julian Gosse	35,000	-	35,000
Sub-total non-executive directors	76,096	3,904	80,000
Executive Director			
Justin Braitling	9,133	867	10,000

Remuneration report (audited) (continued)

Details of remuneration (continued)

2015	Short-term employee benefits	Post-employment benefits	
Name	Salary and fees $	Superannuation $	Total $
Other key management personnel			
Peter Roberts *	-	-	-
Matthew McShane *	-	-	-
	-	-	-
Total key management personnel compensation	85,229	4,771	90,000

* Accounting and company secretarial duties are outsourced to White Outsourcing Pty Limited. Peter Roberts, who resigned as company secretary on 27 April 2016, is a director of White Outsourcing Pty Limited which received fees net of reduced input tax credits of $160,751 during the year (2015: $151,415) for the services rendered pursuant to an Administrative Services Agreement entered into by the Company. Mr Roberts received no fees as an individual. White Outsourcing Pty Limited is remunerated in accordance with the Service Level Agreement dated 1st October 2006. The agreement has no fixed term. As at 30 June 2016, the balance payable to White Outsourcing Pty Limited was $30,940 (2015: $18,384).

The following table comprises the company performance and non-executive directors' remuneration:

	2016	**2015**	**2014**	**2013**	**2012**
Operating profit/(loss) after tax	$29,040,927	($6,144,815)	$40,843,666	$23,329,557	($1,296,975)
Dividends paid (cents per share)	10.0	11.0	12.0	12.0	11.0
Net tangible asset ($ per share)	$1.33	$1.32	$1.51	$1.42	$1.30
Total Directors' remuneration	$90,000	$90,000	$90,000	$70,000	$70,000
Total Shareholder's Equity	$361,790,025	$340,890,412	$342,942,966	$225,960,084	$86,354,621

Director Related Entity Remuneration

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

Justin Braitling is the sole Director and beneficial owner of Watermark Funds Management Pty Limited, the entity appointed to manage the investment portfolio of Australian Leaders Fund Limited. In its capacity as manager, Watermark Funds Management Pty Limited was paid a management fee of 1%p.a. (plus GST) of net investment assets amounting to $3,694,736 net of reduced input tax credits (2015: $ 3,413,651). As at 30 June 2016, the balance payable to the manager was $328,976 (2015: $296,535).

In addition, Watermark Funds Management Pty Limited is to be paid, annually in arrears, a performance fee being 20% of:

- where the level of the All Ordinaries Accumulation Index has increased over that period, the amount of the increase in the Value of the Portfolio exceeds this increase; or
- where the All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the Value of the Portfolio.

For the period ended 30 June 2016, in its capacity as manager, Watermark Funds Management Pty Limited was paid a performance fee net of reduced input tax credits amounting to $9,053,449 (2015: nil). As at 30 June 2016, the balance payable to the manager was $9,715,897 (2015: nil).

Under an Investment Services Agreement, Watermark Funds Management Pty Limited pays 25% of all management and performance fees to Boutique Asset Management, a company 80% owned by entities associated with Geoffrey Wilson.

Remuneration report (audited) (continued)

Details of remuneration (continued)

Director Related Entity Remuneration (continued)

These amounts are in addition to the above Directors remuneration.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

Remuneration of Executives

Justin Braitling is considered an Executive Director on the basis that he is a director and a shareholder of Watermark Fund Management Pty Limited and due to his role of an Investment Manager in that entity, is integrally involved in the operation of the Company. Watermark Funds Management Pty Limited remunerates Justin Braitling as an employee and also provides day to day management of the Company and is remunerated as outlined above.

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

Director	Position	Balance as at 21 August 2015	Acquisitions	Disposals	Balance as at 16 August 2016
Justin Braitling	Chairman	1,231,894	-	-	1,231,894
Geoffrey Wilson	Non-Executive Director	1,040,000	-	(40,000)	1,000,000
John Abernethy	Non-Executive Director	60,000	-		60,000
Julian Gosse	Non-Executive Director	-	-	-	-
		2,331,894	-	**(40,000)**	**2,291,894**

2015

Director	Position	Balance as at 24 August 2014	Acquisitions	Disposals	Balance as at 21 August 2015
Justin Braitling	Chairman	1,381,894	-	(150,000)	1,231,894
Geoffrey Wilson	Non-Executive Director	1,000,000	40,000		1,040,000
John Abernethy	Non-Executive Director	60,000	-	-	60,000
Julian Gosse	Non-Executive Director	-	-	-	-
		2,441,894	**40,000**	**(150,000)**	**2,331,894**

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

Options Held

None of the Directors held options during the year ended 30 June 2016 and 30 June 2015.

End of remuneration report

Insurance and indemnification of officers and auditors

(a) Insurance of officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and any related body corporate against liability incurred as such by a Director or Secretary to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

The Board of Directors, in accordance with advice from the Audit & Risk Committee, is satisfied that the provision of non-audit 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 19 did not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

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 17.

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

Justin Braitling
Chairman

Sydney
16 August 2016

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF AUSTRALIAN LEADERS FUND LIMITED
ABN 64 106 845 970

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 Australian Leaders Fund Limited during the year.

S M WHIDDETT
Partner

PITCHER PARTNERS
Sydney

16 August 2016

Statement of Comprehensive Income

	Notes	Year ended 2016 $	2015 $
Investment income from ordinary activities			
Net gains on investments		**56,536,159**	15,656,242
Net unrealised gains/(losses) on investments		**1,616,971**	(17,445,149)
Dividends		**10,031,593**	9,598,066
Interest		**10,403,734**	13,553,868
Trust distributions		**888,622**	970,972
Other income		**234,952**	339,809
Net foreign exchange (loss)		**(162,049)**	(1,249,584)
		79,549,982	21,424,224
Expenses			
Management fees	21(b)	**(3,694,736)**	(3,413,651)
Performance fees	21(b)	**(9,053,449)**	-
Brokerage expense		**(6,460,218)**	(4,627,571)
Short dividend expense		**(14,344,842)**	(13,923,369)
Interest expense		**(3,662,326)**	(7,787,039)
Stock loan fees		**(4,087,230)**	(4,154,577)
Accounting fees		**(160,751)**	(151,415)
Share registry fees		**(288,441)**	(231,887)
Tax fees		**(17,848)**	(14,300)
Legal fees		**(8,265)**	(3,697)
Directors' fees	18(a)	**(90,000)**	(90,000)
ASX fees		**(87,085)**	(95,155)
Audit fees	19	**(42,532)**	(35,750)
Other expenses		**(143,865)**	(132,293)
		(42,141,588)	(34,660,704)
Profit/(loss) before income tax		**37,408,394**	(13,236,480)
Income tax (expense)/benefit	7	**(8,367,467)**	7,091,665
Profit/(loss) for the year		**29,040,927**	(6,144,815)
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income/(loss) for the year		**29,040,927**	(6,144,815)
		Cents	Cents
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:			
Basic earnings per share	25	**10.98**	(2.45)
Diluted earnings per share	25	**10.98**	(2.45)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

	Notes	At 2016 $	2015 $
ASSETS			
Current assets			
Cash and cash equivalents	8	**404,601,997**	298,648,910
Trade and other receivables	9	**20,657,548**	12,966,294
Financial assets at fair value through profit or loss	10	**392,489,119**	326,693,692
Current tax assets		**2,182,273**	9,380,539
Other current assets		**25,211**	-
Total current assets		**819,956,148**	647,689,435
Non-current assets			
Deferred tax assets	11	**5,162,714**	3,807,386
Total non-current assets		**5,162,714**	3,807,386
Total assets		**825,118,862**	651,496,821
LIABILITIES			
Current liabilities			
Trade and other payables	12	**17,562,342**	56,408,458
Financial liabilities at fair value through profit or loss	13	**445,579,593**	254,186,209
Total current liabilities		**463,141,935**	310,594,667
Non-current liabilities			
Deferred tax liabilities	14	**228,942**	11,742
Total non-current liabilities		**228,942**	11,742
Total liabilities		**463,370,877**	310,606,409
Net assets		**361,747,985**	340,890,412
EQUITY			
Issued capital	15	**353,292,892**	335,234,188
Reserves	16(a)	**14,599,908**	11,801,039
Accumulated losses	16(b)	**(6,144,815)**	(6,144,815)
Total equity		**361,747,985**	340,890,412

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

Statement of Changes in Equity

	Notes	Issued capital $	Profits reserve $	Accumulated losses $	Total $
Balance at 1 July 2014		303,209,483	39,733,483	-	342,942,966
Profit for the year as reported in the 2015 Financial Statements		-	-	(6,144,815)	(6,144,815)
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	17	-	(27,932,444)	-	(27,932,444)
Costs of issued capital	15(g)	(28,869)	-	-	(28,869)
Shares issued under dividend reinvestment plan	15	4,239,726	-	-	4,239,726
Shares issued on options exercised	15	27,813,848	-	-	27,813,848
		32,024,705	(27,932,444)	-	4,092,261
Balance at 30 June 2015		**335,234,188**	**11,801,039**	**(6,144,815)**	**340,890,412**
Balance at 1 July 2015		335,234,188	11,801,039	(6,144,815)	340,890,412
Profit for the year as reported in the 2016 Financial Statements		-	-	29,040,927	29,040,927
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	17	-	(26,242,058)	-	(26,242,058)
Costs of issued capital	15(g)	(146,022)	-	-	(146,022)
Shares issued under share placement	15	14,348,150	-	-	14,348,150
Shares issued under dividend reinvestment plan	15	3,856,576	-	-	3,856,576
Transfer to profits reserve	16	-	29,040,927	(29,040,927)	-
		18,058,704	2,798,869	(29,040,927)	(8,183,354)
Balance at 30 June 2016		**353,292,892**	**14,599,908**	**(6,144,815)**	**361,747,985**

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

Statement of Cash Flows

	Notes	Year ended 2016 $	2015 $
Cash flows from operating activities			
Purchase of financial assets		**(1,148,267,172)**	(826,503,070)
Proceeds from sale of financial assets		**1,097,880,809**	970,031,946
Proceeds from short sale of financial liabilities		**1,323,929,696**	783,753,675
Re-purchase of financial liabilities		**(1,144,252,416)**	(860,696,345)
Interest received		**10,400,681**	13,713,451
Interest paid		**(3,676,226)**	(8,112,597)
Dividends received		**9,952,679**	11,786,914
Dividends paid on short stocks		**(14,559,708)**	(13,945,117)
Underwriting income		**195,953**	337,896
Other revenue		**38,999**	1,499
Income taxes paid		**(2,244,749)**	(13,854,291)
Investment management fees paid		**(3,648,014)**	(3,432,503)
Performance fees paid		**-**	(4,517,642)
Brokerage expense		**(6,607,572)**	(4,461,635)
Stock loan fees		**(3,929,265)**	(4,138,455)
Payments for other expenses		**(852,625)**	(732,615)
Net cash inflow from operating activities	23	**114,361,070**	39,231,111
Cash flows from investing activities			
Proceeds from held-to-maturity investments		**-**	16,552,205
Net cash inflow/(outflow) from investing activities		**-**	16,552,205
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**14,348,150**	-
Share issue and buy-back transaction costs		**(208,600)**	(41,266)
Dividends paid to company's shareholders		**(22,385,478)**	(23,692,694)
Shares issued on options exercised		**-**	27,813,848
Net cash (outflow)/inflow from financing activities		**(8,245,928)**	4,079,888
Net increase in cash and cash equivalents		**106,115,142**	59,863,204
Cash and cash equivalents at the beginning of the year		**298,648,910**	240,035,290
Effects of exchange rate changes on cash and cash equivalents		**(162,055)**	(1,249,584)
Cash and cash equivalents at end of year	8	**404,601,997**	298,648,910
Non-cash investing and financing activities			
Dividends reinvested		**3,856,576**	4,239,726

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

1 General information

Australian Leaders Fund Limited (the "Company") is a listed public company domiciled in Australia. The address of Australian Leaders Fund Limited's registered office is Level 6, 139 Macquarie Street, Sydney, NSW 2000. The financial statements of Australian Leaders Fund Limited are for the year ended 30 June 2016. The Company is primarily involved in making investments, and deriving revenue and investment income from domestic and international listed securities and unit trusts.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the entity Australian Leaders Fund Limited.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Australian Leaders Fund Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the Board of Directors on 16 August 2016.

(i) Compliance with IFRS

The financial statements of the Australian Leaders Fund Limited also comply with IFRS as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Company

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2015 that have a material impact on the Company.

(iii) Historical cost convention

These financial statements have been prepared under the accruals basis and are based on historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by the Company
AASB 9 *Financial Instruments*	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.	Following the changes approved by the AASB in December 2014, the Company no longer expects any impact from the new classification, measurement and derecognition rules on the Company's financial assets and financial liabilities. There will also be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have not changed from the previous requirements, and the Company does not apply hedge accounting. The new standard also introduces expanded disclosure requirements and changes in presentation. The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses. The Company has not yet assessed how the impairment provisions would be affected by the new rules.	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Company has not yet decided whether it will early adopt AASB 9.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Title of standard	**Nature of change**	**Impact**	**Mandatory application date/ Date of adoption by the Company**
AASB 15 *Revenue from Contracts with Customers*	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.	The Company's main sources of income are interest, dividends and distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the Directors do not expect the adoption of AASB 15 to have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.	Mandatory for financial years commencing on or after 1 January 2017. The Company has not yet decided whether it will early adopt AASB 15.

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

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Australian Leaders Fund Limited's functional and presentation currency.

2 Summary of significant accounting policies (continued)

(b) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss in the Statement of Comprehensive Income.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of rebates and amounts collected on behalf of third parties.

Revenue is recognised where it is probable that the economic benefit will flow to the entity and can be reliably measured.

(i) Investment income

Profits and losses realised from the sale of investments and unrealised gains and losses on securities held at fair value are included in the Statement of Comprehensive Income in the year they are incurred in accordance with the policies described in Note 2(h).

(ii) Dividends and trust distributions

Dividends and trust distributions are recognised as revenue when the right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(iv) Other income

The Company recognises other income when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(d) Income tax

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

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 year as well as unused tax losses.

Current and deferred income tax expense/(income) 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.

2 Summary of significant accounting policies (continued)

(d) Income tax (continued)

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.

(e) Cash and cash equivalents

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

(f) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and for equities normally settled within two business days. A provision for impairment of amounts due from brokers is recognised in the Statement of Comprehensive Income when there is objective evidence that the Company will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

(g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

(h) Financial assets and liabilities

The Company's investments are classified as at fair value through profit or loss. They comprise:

Classification
(i) Financial assets and liabilities at fair value through profit or loss - held for trading
Financial assets are classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

The Company makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as current financial liabilities at fair value through profit or loss.

Dividends expense on short sales of securities, which have been classified at fair value through profit or loss, is recognised in the Statement of Comprehensive Income.

2 Summary of significant accounting policies (continued)

(h) Financial assets and liabilities (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 9) and receivables in the Statement of Financial Position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Recognition and derecognition

Purchases and sales of financial assets and liabilities at fair value through profit or loss are recognised on trade-date - the date on which the Company commits to purchase or sell the asset or liability. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures its financial assets and liabilities at fair value excluding any transaction costs that are directly attributable to their acquisition.

Transaction costs of financial assets and financial liabilities at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

When an investment is disposed, the cumulative gain or loss, net of tax thereon, is recognised as realised gains and losses from the sale of financial instruments in the Statement of Comprehensive Income.

Determination of Fair Value

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company's accounting policy on fair value measurements is discussed in Note 4.

Under AASB 13, if an investment has a bid price and an ask price, the price within the bid-ask spread that is more representative of fair value in the circumstances shall be used to measure fair value. Accordingly, the Company uses the last sale price as a basis of measuring fair value.

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

(j) Finance costs

Finance costs are recognised as expenses in the year in which they are incurred using the effective interest rate method.

(k) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Profits reserve

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

(m) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

In accordance with the *Corporations Act 2001*, the Company may pay a dividend where the Company's assets exceed its liabilities, the payment of the dividend is fair and reasonable to the Company's shareholders as a whole and the payment of the dividend does not materially prejudice the Company's ability to pay its creditors.

It is the Directors' policy to only pay fully franked dividends and to distribute the majority of franking credits received each year. Franking credits are generated by receiving fully franked dividends from shares held in the Company's investment portfolio, and from the payment of corporate tax on its other investment income, unfranked income and net realised gains.

(n) 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 year, adjusted for bonus elements in ordinary shares issued during the year 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.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

2 Summary of significant accounting policies (continued)

(o) Goods and Services Tax (GST) (continued)

Where applicable, the Company qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 75%; hence fees for these services have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the taxation authority.

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 taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(p) Comparatives

Where necessary, comparative information has been reclassified to be consistent with current reporting period.

(q) Operating segments

The Company operated in Australia only and the principal activity is investing.

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 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.

By its nature, as a Listed Investment Company that invests, the Company can never be free of market risk as it invests its capital in securities which are not risk free - the market price of these securities can fluctuate.

(i) Price risk

Exposure

The Company is exposed to currency risk arising from its investments denominated other than in Australian dollars. The Investment Manager actively manages the Company's foreign exchange risk through its treasury management framework.

The Company seeks to manage and constrain market risk by diversification of the investment portfolio across multiple stocks and industry sectors. The portfolio is maintained by the Investment Manager within a range of parameters governing the levels of acceptable exposure to stocks and industry sectors. The relative weightings of the individual securities and relevant market sectors are reviewed normally weekly and risk can be managed by reducing exposure where necessary.

The table below analyses the Company's concentration of price risk by region.

2016	**Long Exposure**	**%**	**Short Exposure**	**%**	**Net Exposure**
Australia	267,282,923	68.10%	(300,381,648)	67.41%	(33,098,725)
North America	60,442,471	15.40%	(96,361,257)	21.63%	(35,918,786)
Europe	54,957,600	14.00%	(48,836,688)	10.96%	6,120,912
Rest of World	9,806,124	2.50%	-	0.00%	9,806,124
Total	**392,489,118**	**100.00%**	**(445,579,593)**	**100.00%**	**(53,090,474)**

3 Financial risk management (continued)

(a) Market risk (continued)

2015	**Long Exposure**	**%**	**Short Exposure**	**%**	**Net Exposure**
Australia	286,798,652	87.79%	(219,171,814)	86.22%	67,626,838
North America	28,101,372	8.60%	(19,070,929)	7.50%	9,030,443
Europe	9,488,394	2.90%	(8,757,436)	3.45%	730,958
Rest of World	2,305,275	0.71%	(7,186,030)	2.83%	(4,880,755)
Total	326,693,693	100.00%	(254,186,209)	100.00%	72,507,484

The North American region includes the United States and Canada. Europe includes countries in mainland Europe and the United Kingdom.

The Company's investment sector as at 30 June is as below:

Sector	**2016 (%)**	2015 (%)
Information technology	**(3.00)**	25.80
Financial services	**(37.20)**	37.20
Energy	**(15.20)**	7.90
Health care	**(60.50)**	5.20
Consumer staples	**(34.60)**	(5.40)
Industrials	**(1.00)**	(6.10)
Consumer discretionary	**75.50**	45.80
Utilities	**20.50**	5.50
Materials	**(35.90)**	(15.90)
Telecommunications services	**(8.60)**	0.00
Total	**(100.00)**	100.00

As at 30 June 2016 no securities represented over 5% of the long or short investment portfolio. As at 30 June 2015 two securities represented over 5 per cent of the long or short investment portfolio.

Sensitivity

The following table illustrates the effect on the Company's equity from possible changes in other market risk that were reasonably possible based on the risk the Company was exposed to at reporting date, assuming a flat tax rate of 30 per cent:

	Impact on post-tax (loss)/profit	
	2016 $	2015 $
Decrease 5%	**1,858,167**	(2,537,762)
Increase 5%	**(1,858,167)**	2,537,762
Decrease 10%	**3,716,333**	(5,075,524)
Increase 10%	**(3,716,333)**	5,075,524

Post-tax (loss)/profit for the year would increase/decrease as a result of (losses)/gains on equity securities classified as at fair value through profit or loss.

At balance date, the net portfolio position was $53,090,474 short (2015: $72,507,483 long) therefore there is a small price risk impact on post-tax profit (2015: post-tax loss).

3 Financial risk management (continued)

(a) Market risk (continued)

(i) Cash flow and fair value interest rate risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

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.

At 30 June 2016

	Floating interest rate $	Fixed interest rate $	Non- interest bearing $	Total $
Financial assets				
Cash and cash equivalents	**404,601,997**	**-**	**-**	**404,601,997**
Trade and other receivables	**-**	**-**	**20,682,759**	**20,682,759**
Financial assets held at fair value through profit or loss	**-**	**-**	**392,489,119**	**392,489,119**
Current tax assets	**-**	**-**	**2,182,732**	**2,182,732**
	404,601,997	**-**	**415,354,610**	**819,956,607**
Financial liabilities				
Trade and other payables	**-**	**-**	**(17,562,342)**	**(17,562,342)**
Financial liabilities held at fair value through profit or loss	**-**	**-**	**(445,579,593)**	**(445,579,593)**
	-	**-**	**(463,141,935)**	**(463,141,935)**
Net exposure to interest rate risk	**404,601,997**	**-**	**(47,787,325)**	**356,814,672**

At 30 June 2015

	Floating interest rate $	Fixed interest rate $	Non- interest bearing $	Total $
Financial assets				
Cash and cash equivalents	298,648,910	-	-	298,648,910
Trade and other receivables	-	-	12,966,294	12,966,294
Financial assets held at fair value through profit or loss	-	-	326,693,692	326,693,692
Current tax assets	-	-	9,380,539	9,380,539
	298,648,910	-	349,040,525	647,689,435
Financial liabilities				
Trade and other payables	-	-	(56,408,458)	(56,408,458)
Financial liabilities held at fair value through profit or loss	-	-	(254,186,209)	(254,186,209)
	-	-	(310,594,667)	(310,594,667)
Net exposure to interest rate risk	298,648,910	-	38,445,858	337,094,768

3 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity

At 30 June 2016, if interest rates had increased by 75 or decreased by 75 basis points from the year end rates with all other variables held constant, post-tax loss for the year would have been $2,124,160 lower/$2,124,160 higher (2015 changes of 75 bps/75 bps: $1,567,907 higher/$1,567,907 lower on post-tax profit), mainly as a result of higher/lower interest income from cash and cash equivalents.

(ii) Foreign exchange risk

Exposure

The Company operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis. The Investment Manager monitors the Company's currency positions on a daily basis.

Sensitivity

The analysis is based on the assumption that the Australian dollar weakened and strengthened by 10% (2015: 10%) against the foreign currencies to which the Company is exposed. The impact on post-tax loss for the year would be $1,399,422 lower/$1,399,422 higher (2015: $341,646 lower/$341,646 higher).

(b) Credit risk

The standard defines this as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Under the arrangements which the Company has entered into to facilitate stock borrowing for covered short selling, borrowed stock is collateralised by the long stock portfolio. If the stock borrowing counterparty became insolvent, it is possible that the Company may not recover all of the collateral that the Fund gave to the counterparty. The collateral on securities sold short is set at 100% (2015: 100%) of the borrowed stock.

The maximum exposure to credit risk, excluding the value of any collateral or other security, 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.

Credit risk is managed as noted in Note 8 with respect to cash and cash equivalents, Note 9 for trade and other receivables and Note 10 for financial assets at fair value through profit or loss. None of these assets are over-due or considered to be impaired.

(c) Liquidity risk

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

The Investment Manager monitors its cash-flow requirements daily in relation to the investing account taking into account upcoming dividends, tax payments and investing activity.

The Company's inward cash flows depend upon the level of dividend and distribution revenue received. 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 Investment Manager.

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

Maturities of financial liabilities

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

3 Financial risk management (continued)

(c) Liquidity risk (continued)

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	**$**	**$**	**$**
Non-derivatives			
Trade and other payables	**17,562,342**	**-**	**17,562,342**
Financial liabilities at fair value through profit or loss	**445,579,593**	**-**	**445,579,593**
Total non-derivatives	**463,141,935**	**-**	**463,141,935**

Contractual maturities of financial liabilities	**Less than 1 month**	**More than 1 month**	**Total contractual undiscounted cash flows**
	$	**$**	**$**
At 30 June 2015			
Non-derivatives			
Trade and other payables	56,408,458	-	56,408,458
Financial liabilities at fair value through profit or loss	254,186,209	-	254,186,209
Total non-derivatives	310,594,667	-	310,594,667

4 Fair value measurements

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets and financial liabilities at fair value through profit or loss (FVTPL)

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(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.

4 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

Recurring fair value measurements **At 30 June 2016**	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets				
Equity securities	**267,282,923**	**-**	**-**	**267,282,923**
International equity securities	**121,682,496**	**-**	**-**	**121,682,496**
Unlisted equity securities	**-**	**3,523,700**	**-**	**3,523,700**
Total financial assets	**388,965,419**	**3,523,700**	**-**	**392,489,119**
Financial liabilities				
Equity securities sold short	**(300,218,905)**	**-**	**-**	**(300,218,905)**
International equity securities sold short	**(145,197,945)**	**-**	**-**	**(145,197,945)**
Unlisted equity securities sold short	**-**	**(162,743)**	**-**	**(162,743)**
Total financial liabilities	**(445,416,850)**	**(162,743)**	**-**	**(445,579,593)**

Recurring fair value measurements At 30 June 2015	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets				
Equity securities	286,282,399	-	-	286,282,399
Unlisted equity securities	-	516,253	-	516,253
International equity securities	39,895,040	-	-	39,895,040
Total financial assets	326,177,439	516,253	-	326,693,692
Financial liabilities				
Equity securities sold short	(219,171,814)	-	-	(219,171,814)
International equity securities sold short	(35,014,395)	-	-	(35,014,395)
Total financial liabilities	(254,186,209)	-	-	(254,186,209)

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

The majority of the investments included in Level 2 of the hierarchy include amounts in relation to Initial Public Offerings and Placements in which the Company has subscribed to during the year. These investments have not listed on the Australian Securities Exchange as at year end and therefore represent investments in an inactive market. In valuing these unlisted investments, included in Level 2 of the hierarchy, the fair value has been determined using the valuation technique of the subscription price and the amount of securities subscribed for by the Company under the relevant offers.

There were transfers between levels 1 and 2 for recurring fair value measurements during the year, relating to the listing of the unlisted equity securities as at year end. There were no transfers in and out of level 3.

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

(ii) Disclosed fair values

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

The carrying amounts of trade and other receivables and payables are reasonable approximations of their fair values due to their short-term nature.

5 Critical accounting estimates and judgements

(a) Significant estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(b) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes

Based on the Company's history of realised gains the directors believe that the Company will realise taxable gains in the future against which the current and prior year realised losses can be utilised.

6 Segment information

The Company has only one reportable segment. The Company operates in one industry being the securities industry, deriving revenue from dividend income, interest income and from the sale of its trading portfolio.

7 Income tax expense/(benefit)

(a) Income tax expense/(benefit) through profit or loss

	Year ended	
	2016	2015
	$	$
Deferred tax on temporary differences	**7,836,832**	(8,154,340)
Tax on permanent differences	**489,053**	1,062,980
Adjustments for current tax of prior periods	**41,582**	(305)
	8,367,467	(7,091,665)
Income tax expense/(benefit) is attributable to:		
Profit/(loss) from continuing operations	**8,367,467**	(7,091,665)

7 Income tax expense/(benefit) (continued)

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

	Year ended 2016 $	2015 $
Profit/(loss) from continuing operations before income tax expense/(benefit)	**37,408,394**	(13,236,480)
Tax at the Australian tax rate of 30.0% (2015 - 30.0%)	**11,222,518**	(3,970,944)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Franking credits on dividends received	**(1,852,551)**	(2,761,110)
Imputation credit gross up	**555,765**	828,333
Realised gain not subject to tax	**(1,258,068)**	(1,379,906)
Change in franked dividends not subject to tax	**(424,756)**	180,129
Foreign tax gross up on dividend income	**82,519**	12,581
Adjustments for current tax of prior periods	**42,040**	(748)
Income tax expense/(benefit)	**8,367,467**	(7,091,665)

The applicable weighted average effective tax rates are as follows:	**22.37%**	(53.58)%

The positive effective tax rate in the current year is mainly due to profits realised, net of franking credits received and gains from securities that are not subject to tax. The negative effective tax rate in the prior year was mainly due to losses incurred and franking credits received.

(c) Amounts recognised directly in equity

	Notes	**Year ended 2016 $**	2015 $
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:			
Current tax - debited (credited) directly to equity		**(197,172)**	(261,192)

8 Current assets - Cash and cash equivalents

	At 2016 $	2015 $
Current assets		
Cash at bank	**254,601,997**	116,648,910
Term deposits	**150,000,000**	182,000,000
	404,601,997	298,648,910

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

8 Current assets - Cash and cash equivalents (continued)

(a) Reconciliation to cash at the end of the year (continued)

	At	
	2016	2015
	$	$
Balances as above	**404,601,997**	298,648,910

(b) Risk exposure

The Company's exposure to interest rate risk is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash investments are made with the following financial institutions:

	Standard & Poor's Rating
Australia and New Zealand Banking Group Ltd	AA-
UBS AG Investment Bank	A+
National Australia Bank	AA-

9 Current assets - Trade and other receivables

	At	
	2016	2015
	$	$
Dividends and distributions receivable	**1,738,756**	510,206
Interest receivable	**1,030,833**	1,027,780
GST receivable	**874,943**	77,911
Unsettled trades	**17,013,016**	11,350,397
	20,657,548	12,966,294

Receivables are non-interest bearing and unsecured.

Fair value and credit risk

Due to the short-term nature of these receivables, the carrying amounts are reasonable approximations of their fair values.

10 Current assets - 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:

	At	
	2016	2015
	$	$
International listed equity securities	**121,682,496**	39,895,040
Australian listed equity securities	**267,282,923**	286,282,399
Other unlisted equity securities	**3,523,700**	516,253
Total securities	**392,489,119**	326,693,692

The market values of all investments as at 30 June 2016 are disclosed on page 7 of the Annual Report.
Listed securities are readily saleable with no fixed terms.

10 Current assets - Financial assets at fair value through profit or loss (continued)

Changes in fair values of financial assets at fair value through profit or loss are recorded in investment income in the Statement of Comprehensive Income.

(a) Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 4,399 (2015: 4,419). Each investment transaction may involve multiple contract notes.

The total brokerage paid on these contract notes was $12,372,661 (2015: $10,891,240).

(b) Risk exposure and fair value measurements

Information about the Company's exposure to price risk and about the methods and assumptions used in determining fair value is provided in Note 3.

11 Non-current assets - Deferred tax assets

	At	
	2016	2015
	$	$
The balance comprises temporary differences attributable to:		
Capitalised share issue costs	**197,172**	261,192
Carry forward losses	**3,325,236**	3,366,817
Accrued expenses	**9,074**	7,791
Net unrealised losses of investments	**1,631,232**	171,586
	5,162,714	3,807,386

Movements	Total $
At 1 July 2014	3,162,695
(Charged)/credited	
- to profit or loss	632,318
- directly to equity	12,373
At 30 June 2015	3,807,386

Movements	**Total $**
At 1 July 2015	3,807,386
(Charged)/credited	
- to profit or loss	**1,292,748**
- directly to equity	**62,580**
At 30 June 2016	**5,162,714**

12 Current liabilities - Trade and other payables

	At	
	2016 **$**	2015 $
Management fees payable	**328,976**	296,535
Performance fees payable	**9,715,897**	-
Unsettled trades	**5,088,578**	53,598,946
Interest payable	**318,224**	332,124
Other payables	**2,110,667**	2,180,853
	17,562,342	56,408,458

Trade and other payables are unsecured and are usually paid within 30 days of recognition.

Due to the short term nature of these payables, the carrying amounts are reasonable approximations of their fair values.

13 Current liabilities - Financial liabilities at fair value through profit or loss

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

	At	
	2016 **$**	2015 $
International listed equity securities sold short	**145,197,945**	35,014,395
Australian listed equity securities sold short	**300,218,905**	219,171,814
Other unlisted equity securities sold short	**162,743**	-
	445,579,593	254,186,209

When the Company sells securities it does not possess, it has to cover this short position by acquiring securities at a later date and is therefore exposed to price risk of those securities sold short. The sales agreement is usually settled by delivering borrowed securities. However, the Company is required to return those borrowed securities at a later date.

14 Non-current liabilities - Deferred tax liabilities

	At	
	2016 **$**	2015 $
The balance comprises temporary differences attributable to:		
Other temporary differences	**228,942**	11,742

Movements

	Total **$**
At 1 July 2014	6,471,094
Charged/(credited)	
- profit or loss	(6,459,352)
At 30 June 2015	**11,742**

14 Non-current liabilities - Deferred tax liabilities (continued)

Movements

	Total $
At 1 July 2015	11,742
Charged/(credited)	
- profit or loss	**217,200**
At 30 June 2016	**228,942**

15 Issued capital

(a) Share capital

	Notes	**30 June 2016 Shares**	30 June 2015 Shares	**30 June 2016 $**	30 June 2015 $
Ordinary shares	15(b), 15(c)	**269,869,781**	256,316,599	**353,292,892**	335,234,188

(b) Movements in ordinary share capital

Details	Notes	Number of shares	$
Opening balance 1 July 2014		232,942,259	303,209,483
Dividends reinvestment plan issues	15(d)	3,072,261	4,239,726
Options exercised	15(e)	20,302,079	27,813,848
Cost of issued capital		-	(28,869)
Balance 30 June 2015		256,316,599	335,234,188
Opening balance 1 July 2015		256,316,599	335,234,188
Dividends reinvestment plan issues	15(d)	2,813,549	3,856,576
Shares issued under DRP Placement Shortfall	15(f)	10,739,633	14,348,150
Cost of issued capital		-	(146,022)
Balance 30 June 2016		269,869,781	353,292,892

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a 3% discount to the market price.

15 Issued capital (continued)

(e) Options

On 12 March 2013, the company announced the terms and indicative timetable for a 1 for 1 bonus issue of options to acquire ordinary shares in the Company at an exercise price of $1.37 with expiry 30 September 2014.

Since issue, a total of 110,936,662 options have been exercised and allotted for a total consideration of $151,983,227. On 30 September 2014, 2,391,366 options expired.

(f) DRP shortfall

On 6 November 2015, the Company issued a dividend reinvestment plan placement shortfall of 10,739,633 shares at $1.3360.

(g) Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor and market confidence. The overall strategy remains unchanged from 2015.

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

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

16 Reserves and retained earnings/(accumulated losses)

(a) Reserves

	At	
	2016	2015
	$	$
Profits reserve	**14,599,908**	11,801,039

This reserve details an amount preserved for future dividend payments as outlined in accounting policy Note 2(l).

		At	
		2016	2015
	Notes	**$**	$
Movements:			
Opening balance		**11,801,039**	39,733,483
Transfer from current and retained earnings		**29,040,927**	-
Dividends paid	17	**(26,242,058)**	(27,932,444)
Closing balance		**14,599,908**	11,801,039

16 Reserves and retained earnings/(accumulated losses) (continued)

(b) (Accumulated losses)

Movements in retained earnings/(accumulated losses) were as follows:

	At 2016 $	2015 $
Opening balance	**(6,144,815)**	-
Net profit/(loss) for the year	**29,040,927**	(6,144,815)
Transfer (to) profits reserve	**(29,040,927)**	-
Closing balance	**(6,144,815)**	(6,144,815)

17 Dividends

(a) Dividend rate

Dividends paid fully franked at 30% tax rate

	Dividend Rate	Total Amount	Date of Payment	% Franked
2016				
Ordinary shares - final 2015	**$0.05**	**$12,815,832**	**28/10/2015**	**100**
Ordinary shares - interim 2016	**$0.05**	**$13,426,226**	**14/04/2016**	**100**
Total		**$26,242,058**		
2015				
Ordinary shares - final 2014	$0.06	$15,194,660	28/10/2014	100
Ordinary shares - interim 2015	$0.05	$12,737,784	14/04/2015	100
Total		$27,932,444		

(b) Dividends not recognised at the end of the reporting period

	Year ended 2016 $	2015 $
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 5 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend with an ex date of 10 October 2016 and a record date of 11 October 2016, expected to be paid on 26 October 2016 out of the profits reserve at 30 June 2016, but not recognised as a liability at year end, is	**13,493,489**	12,815,832

(c) 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 2017.

17 Dividends (continued)

(c) Dividend franking account (continued)

	2016 $	2015 $
Opening balance of franking account	**11,842,501**	7,198,149
Franking credits on dividends received	**2,267,402**	2,872,193
Tax paid during the year	**2,244,751**	13,854,290
Franking credits lost on ordinary dividends paid	**(11,246,595)**	(11,971,048)
Franking credits lost under 45 day rule	**(414,850)**	(111,083)
Closing balance of franking account	**4,693,209**	11,842,501
Adjustments for tax payable/refundable in respect of the current year's profits and the receipt of dividends	**(1,874,996)**	(9,286,450)
Adjusted franking account balance	**2,818,213**	2,556,051
Impact on the franking account of dividends proposed or declared before the financial report authorised for issue but not recognised as a distribution to equity holders during the period	**(5,782,924)**	(5,492,498)
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2015 - 30.0%)	**(2,964,711)**	(2,936,447)

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.

18 Key management personnel disclosures

Detailed remuneration disclosures are provided in the remuneration report on pages 13 to 15.

(a) Key management personnel compensation

	Year ended 2016 $	Year ended 2015 $
Directors fees paid		
Short-term employee benefits	**85,228**	85,228
Post-employment benefits	**4,772**	4,772
	90,000	90,000

Detailed remuneration disclosures are provided in the remuneration report on pages 13 to 15.

(b) Equity instrument disclosures relating to key management personnel

(i) Share holdings

The numbers of shares in the Company held during the financial year by each Director of Australian Leaders Fund Limited and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

18 Key management personnel disclosures (continued)

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

2016 **Name**	**Balance at the start of the year**	**Net movement**	**Balance at end of the year**
Directors of Australian Leaders Fund Limited			
Ordinary shares			
Justin Braitling	1,231,894	-	1,231,894
Geoffrey Wilson	1,040,000	(40,000)	1,000,000
John Abernethy	60,000	-	60,000
Julian Gosse	-	-	-
	2,331,894	(40,000)	2,291,894

2015 Name	**Balance at the start of the year**	**Net movement**	**Balance at end of the year**
Directors of Australian Leaders Fund Limited			
Ordinary shares			
Justin Braitling	1,381,894	(150,000)	1,231,894
Geoffrey Wilson	1,000,000	40,000	1,040,000
John Abernethy	60,000	-	60,000
Julian Gosse	-	-	-
	2,441,894	(110,000)	2,331,894

19 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

(i) Audit and other assurance services

	Year ended	
	2016 **$**	2015 $
Audit and other assurance services		
Audit and review of financial statements	**42,532**	34,890
Total remuneration for audit and other assurance services	**42,532**	34,890
Taxation services		
Tax compliance services	**17,848**	13,000
Total remuneration	**60,380**	47,890

The Company's Audit Committee oversees the relationship with the Company's External Auditors. The Audit Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other services provided by the audit firm, to ensure that they do not compromise independence.

20 Contingencies

The Company had no contingent liabilities at 30 June 2016 (2015: nil).

21 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 18.

(b) Transactions with other related parties

All transactions with related entities were made on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Justin Braitling is a Director and owner of Watermark Funds Management Pty Limited, the entity appointed to manage the investment portfolio of Australian Leaders Fund Limited. In its capacity as manager, Watermark Funds Management Pty Limited was paid a management fee of 1% p.a. (plus GST) of gross assets amounting to $3,694,736 net of reduced input tax credits (2015: $3,413,651).

As at 30 June 2016, the balance payable to the Investment Manager was $328,976 (2015: $296,535).

In addition, Watermark Funds Management Pty Limited is to be paid, annually in arrears, a performance fee being 20% of:

- where the level of the All Ordinaries Accumulation Index has increased over that period, the amount by which the Value of the Portfolio exceeds this increase; or
- where the All Ordinaries Accumulation Index has decreased over that period, the amount of the increase in the Value of the Portfolio.

For the period ended 30 June 2016 in its capacity as manager, Watermark Funds Management Pty Limited performance fee net of reduced input tax credits was $9,053,449 (2015: nil).

As at 30 June 2016, the balance payable to the Investment Manager was $9,715,897 (2015: nil).

Under an Investment Services Agreement, Watermark Funds Management Pty Limited pays 25% of all management and performance fees to Boutique Asset Management Pty Ltd, a company owned 80% by entities associated with Geoffrey Wilson.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

Accounting and company secretarial duties are outsourced to White Outsourcing Pty Limited. Peter Roberts, who resigned as company secretary on 27 April 2016, is a director of White Outsourcing Pty Limited which received fees net of reduced input tax credits of $160,751 during the year (2015: $151,415) for the services rendered pursuant to an Administrative Services Agreement entered into by the Company. Mr Roberts received no fees as an individual. White Outsourcing Pty Limited is remunerated in accordance with the Service Level Agreement dated 1st October 2006. The agreement has no fixed term. As at 30 June 2016, the balance payable to White Outsourcing Pty Limited was $30,940 (2015: $18,384).

22 Events occurring after the reporting period

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 or economic entity in subsequent financial years.

23 Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

	Year ended 2016 $	2015 $
Profit/(loss) for the year	**29,040,927**	(6,144,815)
Fair value losses on financial assets at fair value through profit or loss	**125,597,957**	33,910,209
Net exchange differences	**-**	1,249,584
Effects of foreign currency exchange rate changes on cash and cash equivalents	**162,055**	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(7,716,465)**	8,978,740
Decrease/(increase) in other current assets	**7,198,266**	(9,360,510)
Increase in deferred tax assets	**(1,292,748)**	(620,576)
Decrease/(increase) in trade and other payables	**(38,846,122)**	22,163,320
Decrease in provision for income taxes payable	**-**	(4,473,747)
(Increase)/decrease in deferred tax liabilities	**217,200**	(6,471,094)
Net cash inflow from operating activities	**114,361,070**	39,231,111

24 Non-cash financing activities

	Year ended 2016 $	2015 $
Dividends reinvested	**3,856,576**	4,239,726

25 Earnings per share

(a) Basic earnings per share

	Year ended 2016 Cents	2015 Cents
Basic earnings per share attributable to the ordinary equity holders of the Company	**10.98**	(2.45)

(b) Diluted earnings per share

	Year ended 2016 Cents	2015 Cents
Diluted earnings per share attributable to the ordinary equity holders of the Company	**10.98**	(2.45)

Diluted earnings per share is the same as basic earnings per share. As at 30 June 2016 and 30 June 2015, the Company had no securities outstanding which have the potential to convert to ordinary shares and dilute the basic earnings per share.

25 Earnings per share (continued)

(c) Weighted average number of shares used as denominator

	Year ended	
	2016 Number	2015 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**264,531,476**	250,606,819
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**264,531,476**	250,606,819

In the opinion of the directors of Australian Leaders Fund Limited:

(a) the financial statements and notes set out on pages 18 to 47 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) The Directors have been provided with the declarations required by section 295A of the Corporations Act 2001 by Justin Braitling on behalf of the Manager, Watermark Funds Management Pty Limited, declaring 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 financial year give a true and fair view.

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

Justin Braitling
Chairman

Sydney
16 August 2016

PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AUSTRALIAN LEADERS FUND LIMITED
ABN 64 106 845 970

Report on the Financial Report

We have audited the accompanying financial report of Australian Leaders Fund Limited (the Company), which comprises the statement of financial position as at 30 June 2016, the statement of 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 Australian Leaders 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, 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.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AUSTRALIAN LEADERS FUND LIMITED
ABN 64 106 845 970

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 Australian Leaders 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 15 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 Australian Leaders 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

16 August 2016

The Shareholder information set out below was applicable as at 31 July 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	566	288,334	0.11
1,001 - 5,000	1,569	4,813,360	1.78
5,001 - 10,000	1,812	14,036,047	5.20
10,001 - 100,000	5,375	162,407,522	60.18
100,001 and over	365	88,324,518	32.73
	9,687	269,869,781	100.00

There were 173 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	**Ordinary shares**	
	Number held	**Percentage of issued shares**
MRS FAY MARTIN-WEBER	3,500,000	1.30
MR VICTOR JOHN PLUMMER	3,500,000	1.30
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,183,858	0.81
NEVILLE WARD SUPER PTY LIMITED <THE NW WARD SUPER FUND A/C>	1,387,135	0.51
MR ROBERT FERGUSON & MS JENNIFER FERGUSON & MS RACHEL FERGUSON <TORRYBURN SUPER FUND A/C>	1,297,570	0.48
AVANTEOS INVESTMENTS LIMITED <CLEARVIEW S/P A/C>	1,297,389	0.48
JOHN GRICE PTY LTD <GRICE SUPER FUND A/C>	1,123,267	0.42
MRS THELMA JOAN MARTIN-WEBER	1,099,546	0.41
BURROWS INVESTMENTS PTY LTD	1,018,579	0.38
GW HOLDINGS PTY LTD <EDWINA A/C>	1,000,000	0.37
WATTLES NEST PTY LTD <WATTLES NEST SUPER FUND A/C>	943,666	0.35
MRS JEAN PLUMMER	907,500	0.34
RATIONAL RESEARCH INVESTMENTS PTY LIMITED	849,618	0.31
D J CHERRY PTY LTD <D J CHERRY PTY LTD S/F A/C>	824,230	0.30
FIRST COVENANT PTY LTD <BRAITLING SUPER FUND A/C>	800,895	0.30
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	776,246	0.29
MR DAVID SHARPLES & MS ANNETTE MACGREGOR <SHARPLES MACGREGOR SF A/C>	701,757	0.26
MR CLIFFORD LAW & MS SUSANNE BRUHN <BRUHN LAW SUPER FUND A/C>	679,704	0.25
MR ARTHUR JOHN NIONS & DR PATRICIA PERCIVAL <AN & PP SUPER FUND A/C>	667,096	0.25
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	662,347	0.24
	25,220,403	9.35

C. Substantial holders

There are no substantial shareholders.

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 a 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.

Australian Leaders Fund Limited