

# Arowana Australasian Value Opportunities Fund Limited

ACN 602 250 644

## Interim Financial Statements Including Appendix 4D Disclosures For the half-year ended 31 December 2016



# **Arowana Australasian Value Opportunities Fund Limited**

ACN 602 250 644

## **Interim Report for the half-year ended 31 December 2016**

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### Results for Announcement to the Market

Key Information	Change from previous corresponding period			Current Period A\$
Revenue from ordinary activities from continuing operations	down	258%	to	(3,584,328)
Profit after tax from continuing operations attributable to members	down	321%	to	(2,867,905)
Net profit for the half-year attributable to members	down	321%	to	(2,867,905)

#### Note:

#### Dividends Paid and Proposed

Dividends (distributions)	Amount per security	Franked amount per security
Interim Dividend - 2016	Nil	Nil
Final Dividend - 2016	\$0.04	Nil
Interim Dividend - 2017	\$0.02	Nil

#### Dividend Reinvestment Plan

AWQ has adopted a Dividend Reinvestment Plan ('DRP').  
The information on the DRP has been lodged with the ASX.

#### Earnings per Share

Earnings per ordinary fully paid share	Current Period	Previous Corresponding Period
<i>From continuing operations:</i>		
Basic EPS	(4.19) cents	2.69 cents
Diluted EPS	(4.19) cents	2.69 cents

#### Net Tangible Assets

NTA backing	31 December 2016	30 June 2016
Net tangible asset backing per ordinary security	100.3 cents	112.9 cents

# Arowana Australasian Value Opportunities Fund Limited

ACN 602 250 644

## Directors' Report and Financial Statements for the half-year ended 31 December 2016

### DIRECTORS' REPORT

The Directors of Arowana Australasian Value Opportunities Fund Limited (the Company), present their report together with the financial statements of the Company for the half-year ended 31 December 2016 ("the reporting period").

#### Directors

The names of directors in office at any time during the half-year or since the end of the half-year are:

Kevin Chin (Chairman);

John Moore (Non-Executive director);

Victoria Guy (Non-Executive director);

Gary Hui (Director); and

Kien Khan (Kent) Kwan (Director).

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

#### Review and results of operations

The Company continues investment of funds in accordance with its governing documents.

The most appropriate measure of the Company's financial performance is Profit/(Loss) after income tax. Profit/(Loss) after income tax includes the profit after tax and after recognising fair value gain/(loss) on the Company's investments.

The Company's loss before income tax for the half-year ended 31 December 2016 was \$4,168,115 (2015: profit \$1,850,284). The loss after income tax for the half-year ended 31 December 2016 was \$2,867,905 (2015: profit \$1,295,199), reflecting a pullback in the market value and fair value adjustments on portfolio investments.

Basic earnings per share after income tax was (4.19) cents (2015: 2.69 cents) for the reporting period.

For the reporting period ended 31 December 2016	
	\$
Loss before income tax expense	4,168,115
Income tax expense (benefit)	(1,300,210)
Loss after income tax attributable to the owners of the Company	2,867,905
<b>Weighted average number of shares</b>	<b>68,428,694</b>

Reconciliation of net tangible assets used in calculation of net tangible assets per ordinary share for ASX reporting

As at 31 December 2016	\$
Net assets per financial statements	68,340,663
(Less)/Add net position of deferred tax asset/liabilities	841,574
<b>Net tangible assets per financial statement</b>	<b>69,182,237</b>
Expected costs to be incurred in realising proceeds of asset disposals (non-IFRS)	(71,629)
<b>Net tangible assets before providing for estimated tax associated with unrealised portfolio position</b>	<b>69,110,608</b>
Provision for estimated tax on unrealised gains (non-IFRS)	(1,092,675)
<b>Net tangible assets for ASX reporting</b>	<b>68,017,933</b>
<b>Number of ordinary shares on issue at reporting date</b>	<b>69,002,077</b>

Net Tangible Assets Backing (NTA) per share	As at 31 December 2016	
	Chapter 19 NTA reporting \$/share	IFRS NTA Reporting \$/share
NTA per share, before providing for estimated tax associated with unrealised portfolio positions (\$/share)	1.0016	1.0026
NTA per share, after providing for estimated tax associated with unrealised portfolio positions (\$/share)	0.9857	0.9868

### Dividends

4 cents dividend was declared and paid during the reporting period.

## **Options**

There are no options on issue and outstanding at 31 December 2016. 48,114,000 options on issue and outstanding at 31 December 2015, expired on 30 June 2016. The exercise of expiring options and the subsequent placement of additional shares, at the option exercise price, resulted in total new capital for the Company of \$19,835,257 in June/July 2016, of which \$10,475,184 representing 10,688,963 new shares was in the current period.

## **Significant changes in state of affairs**

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

## **Events occurring after the reporting period**

Other than referred to below, no matters or circumstances have arisen since 31 December 2016 that have significantly affected, or may significantly affect:

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

On 20 February 2017, the Company declared an interim dividend of \$0.02 per share, payable on 23 March 2017 to all shareholders on record on 2 March 2017.

## **Auditor's independence declaration**

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 7 for the half-year ended 31 December 2016.

Signed for, and on behalf of, the Board in accordance with a resolution of the Directors made pursuant to s. 306(3) of the *Corporations Act 2001*.



Kevin Chin  
Chairman

Sydney, 20 February 2017

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF  
AROWANA AUSTRALASIAN VALUE OPPORTUNITIES FUND LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016, there have been:

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

*PKF Hacketts*

**PKF HACKETTS AUDIT**



**Shaun Lindemann  
Partner**

Brisbane, 20 February 2017

Arowana Australasian Value Opportunities Fund Limited  
Statement of Profit or Loss and Other Comprehensive Income  
For the half-year ended 31 December 2016

Statement of Profit or Loss and Other Comprehensive Income

	Note	31 Dec 2016 \$	31 Dec 2015 \$
<b>Revenue from ordinary activities</b>			
Interest income		202,240	230,836
Dividend/Distribution income	3	180,389	130,355
<b>Total revenue</b>		<b>382,629</b>	<b>361,191</b>
Fair value gain/(loss) on financial assets held at fair value through profit or loss	4	(4,263,155)	1,904,407
Foreign currency gain/(loss)		296,198	-
<b>Total income/(loss)</b>		<b>(3,584,328)</b>	<b>2,265,598</b>
<b>Expenses</b>			
Management fees		363,523	252,393
Directors' fees		46,125	46,125
Professional fees		28,724	29,006
Compliance and governance expenses		120,057	81,358
Other expenses		25,358	6,432
<b>Total expenses</b>		<b>583,787</b>	<b>415,314</b>
<b>(Loss)/profit before income tax benefit/(expense)</b>		<b>(4,168,115)</b>	<b>1,850,284</b>
Income tax benefit/(expense)		1,300,210	(555,085)
<b>(Loss)/profit before income tax for the period attributable to the owners of the Company</b>		<b>(2,867,905)</b>	<b>1,295,199</b>
Other comprehensive income for the period attributable to the owners of the Company		-	-
<b>Total other comprehensive income for the period attributable to the owners of the Company</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the reporting period</b>		<b>(2,867,905)</b>	<b>1,295,199</b>
<b>Earnings per share for (loss)/profit after income tax attributable to the owners of the ordinary shares of the Company</b>			
Basic (cents per share)		(4.19)	2.69
Diluted (cents per share)		(4.19)	2.69

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



Arowana Australasian Value Opportunities Fund Limited  
Statement of Financial Position  
as at 31 December 2016

**Statement of Financial Position**

	Note	31 Dec 2016	30 Jun 2016
		\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		33,645,259	33,238,442
Receivables		22,844	88,792
<b>Total current assets</b>		<b>33,668,103</b>	<b>33,327,234</b>
<b>Non-current assets</b>			
Financial assets held at fair value through profit or loss	5	35,812,402	33,022,131
<b>Total non-current assets</b>		<b>35,814,402</b>	<b>33,022,131</b>
<b>Total assets</b>		<b>69,482,505</b>	<b>66,349,365</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables		147,931	1,210,616
Income tax payable		152,337	13,441
		300,268	1,224,057
<b>Non-current liabilities</b>			
Deferred tax liabilities - net		841,574	2,285,962
		841,574	2,285,962
<b>Total liabilities</b>		<b>1,141,842</b>	<b>3,510,019</b>
<b>Net assets</b>		<b>68,340,663</b>	<b>62,839,346</b>
<b>Equity</b>			
Contributed equity		67,546,348	56,442,967
Retained profits		794,315	6,396,380
<b>Total equity</b>		<b>68,340,663</b>	<b>62,839,346</b>

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

Arowana Australasian Value Opportunities Fund Limited  
Statement of Changes in Equity  
For the half-year ended 31 December 2016

Statement of Changes in Equity

	Note	Contributed equity \$	Retained profits/ accumulated losses \$	Total equity \$
<b>Balance at 1 July 2015</b>		47,208,894	372,467	47,581,361
Profit after tax for the reporting period attributable to the owners of the Company		-	1,295,199	1,295,199
Other comprehensive income		-	-	-
<b>Total comprehensive income for the reporting period attributable to the owners of the Company</b>		<b>-</b>	<b>1,295,199</b>	<b>1,295,199</b>
<b>Transactions with owners in their capacity as owners:</b>				
Contributed equity (net of transaction costs and taxes)		-	-	-
<b>Balance at 31 December 2015</b>		<b>47,208,894</b>	<b>1,667,666</b>	<b>48,876,560</b>
<b>Balance at 1 July 2016</b>		56,442,967	6,396,381	62,839,348
(Loss)/profit after tax for the reporting period attributable to the owners of the Company		-	(2,867,905)	(2,867,905)
Other comprehensive income		-	-	-
<b>Total comprehensive income for the reporting period attributable to the owners of the Company</b>		<b>-</b>	<b>(2,867,905)</b>	<b>(2,867,905)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Contributed equity (net of transaction costs and taxes)		11,103,381	-	11,103,381
Dividend paid		-	(2,734,161)	(2,734,161)
<b>Balance at 31 December 2016</b>		<b>67,546,348</b>	<b>794,315</b>	<b>68,340,663</b>

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

Arowana Australasian Value Opportunities Fund Limited  
Statement of Cash Flows  
For the half-year ended 31 December 2016

Statement of Cash Flows

	Note	31 Dec 2016	31 Dec 2015
		\$	\$
<b><i>Cash flows from operating activities</i></b>			
Proceeds from sale of financial assets held at fair value through profit or loss		10,601,489	2,209,576
Payments for purchase of financial assets held at fair value through profit or loss		(17,635,910)	(14,480,853)
Interest received		202,240	278,465
Custody fees paid		(22,476)	(22,831)
Payment of other operating expenses		(1,397,925)	(420,828)
<b>Net cash (outflow) from operating activities</b>		<b>(8,252,582)</b>	<b>(12,436,471)</b>
<b><i>Cash flows from investing activities</i></b>			
Dividend received		180,389	162,595
<b>Net cash inflow from investing activities</b>		<b>180,389</b>	<b>162,595</b>
<b><i>Cash flows from financing activities</i></b>			
Proceeds from shares issued		11,118,278	-
Payment of capital raising costs		(201,304)	-
Dividend paid		(2,734,162)	-
<b>Net cash inflow from financing activities</b>		<b>8,182,812</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>110,619</b>	<b>(12,273,876)</b>
Cash and cash equivalents at the beginning of the period		33,238,442	35,042,040
Effect of foreign currency translation		296,198	-
<b>Cash and cash equivalents at the end of the period</b>		<b>33,645,259</b>	<b>22,768,164</b>

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

## 1. General information

The financial statements cover Arowana Australasian Value Opportunities Fund Limited (the Company) as an individual entity. The Company is a company incorporated and domiciled in Australia. The address of the Company's registered office is Level 11, 153 Walker Street, North Sydney, NSW, 2060.

## 2. Summary of significant accounting policies

### (a) Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Arowana Australasian Value Opportunities Fund Limited. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2016, together with any public announcements made during the following half-year.

The interim financial statements were authorised for issue by the directors on 20 February 2017. The directors of the Company have the power to amend and reissue the financial statements.

### (b) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for the impact of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant and effective for the current half-year.

The Group has adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for the current half year. Adoption has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current half-year.

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

The Company is a listed investment company and invests in a portfolio of market listed securities which are recognised in the financial statements at their fair value, generally assessed as the latest market price of each security. Changes in the fair value are recognised through profit or loss (see note 4 below).

### 4. Financial assets held at fair value through profit or loss

	31 Dec 2016	30 June 2016
	\$	\$
<b>Designated at fair value through profit or loss</b>		
Listed equities – at cost	32,172,153	24,433,688
Fair value adjustment	3,642,249	8,588,443
<b>Total designated at fair value through profit or loss</b>	<b>35,814,402</b>	<b>33,022,131</b>

### 5. Operating segment information

The Company operates only in the investment industry in Australia and has no reportable business or geographic segments.

### 6. Events occurring after the reporting period

Other than referred to below, no matters or circumstances have arisen since 31 December 2016 that have significantly affected, or may significantly affect:

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

On 20 February 2017, the Company declared an interim dividend of \$0.02 per share, payable on 23 March 2017 to all shareholders on record on 2 March 2017.

### 7. Contingent assets and liabilities and commitments

There are no outstanding commitments, contingent assets and liabilities as at 31 December 2016.

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Arowana Australasian Value Opportunities Fund Limited, the directors of the Company declare that:

1. The accompanying financial statements and notes set out on pages 8 to 13 are in accordance with the *Corporations Act 2001*, including:
  - (i) Complying with Australian Accounting Standard AASB 134 – *Interim Financial Reporting* and the *Corporations Regulations 2001*;
  - (ii) Giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance, as represented by the results of its operations and cash flows, for the half-year ended on that date.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Kevin Chin  
Chairman

Sydney, 20 February 2017

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF AROWANA AUSTRALASIAN VALUE  
OPPORTUNITIES FUND LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Arowana Australasian Value Opportunities Fund Limited ("the Company"), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Arowana Australasian Value Opportunities Fund Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

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

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF AROWANA AUSTRALASIAN VALUE  
OPPORTUNITIES FUND LIMITED (continued)**

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Arowana Australasian Value Opportunities Fund Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*PKF Hacketts*

**PKF HACKETTS AUDIT**



**Shaun Lindemann  
Partner**

Brisbane, 20 February 2017



## CORPORATE DIRECTORY

Directors	Kevin Chin (Chairman) Gary Hui Kien Khan (Kent) Kwan John Moore AO Victoria Guy
Company Secretary	Tom Bloomfield
Principal registered office in Australia	Level 11, 153 Walker Street North Sydney NSW 2060
Investment Manager	AAVOF Management Pty Ltd Level 11, 153 Walker Street North Sydney NSW 2060
Share Registry	Boardroom Pty Limited Level 12, 225 George Street Sydney, NSW 2000
Auditor	PKF Hacketts Audit Level 6, 10 Eagle Street Brisbane QLD 4000
Legal Adviser	Watson Mangioni Lawyers Pty Limited Level 13, 50 Carrington Street Sydney NSW 2000
Stock Exchange	Australian Securities Exchange AWQ – Ordinary Shares
Website	<a href="http://www.aavof.com">www.aavof.com</a>