ACORN CAPITAL
INVESTMENT FUND LIMITED

Appendix 4E

ASX Preliminary final statements for the reporting period ended 30 June 2017

Results for announcement to the market

The results in this preliminary final report are for the period from 1 July 2016 to 30 June 2017. Comparative results are for the period from 1 July 2015 to 30 June 2016.

	2017 $'000	2016 $'000	% Change
Revenue from ordinary activities	4,610	9,442	(51)%
Profit from ordinary activities before tax attributable to members	3,479	8,563	(59)%
Profit from ordinary activities after tax attributable to members	2,505	6,217	(60)%

Dividend Information	**Cents per share**	**Franked amount per share**	**Tax rate for franking**
2017 Interim Dividend	1.5c	100%	30%
2017 Final Dividend	2c	100%	30%

Final Dividend Dates

Ex-dividend Date	11 September 2017
Record Date	12 September 2017
Payment Date	29 September 2017

Dividend Reinvestment Plan

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

The DRP has been lodged with the ASX.

The DRP will be available for the FY17 Final Dividend and all subsequent dividends unless notice is given of its suspension or termination.

	30 June 2017	**30 June 2016**
Net Tangible Asset Backing Per Share (Post Tax)	1.0686	1.0500

Reconciliation of Net Assets per share for Net Tangible Asset Reporting and Financial Reporting Purposes

	30 June 2017	**30 June 2016**
Net Tangible Asset Backing Per Share (Post Tax)	1.0686	1.0500
Permanent differences		
Provision for transaction costs on disposal of the Portfolio	0.0011	0.0008
Adjustment to deferred tax liabilities	0.0003	0.0003
Net Tangible Assets Per Share in the Financial Report	1.0700	1.0511

Significant Features of Operating Performance

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

The most appropriate measure of the Company's financial performance is total comprehensive income. Total comprehensive income for the reporting period ended 30 June 2017 was $2,505,353 (2016: $6,217,203). Total comprehensive income includes the profit after tax and both realised and unrealised gains/(losses) on the Company's investments.

The Company's profit before income tax for the reporting period was $3,479,074 (2016: $8,563,731).

The profit after income tax for the reporting period was $2,505,353 (2016: $6,217,203).

Basic earnings per share after income tax was 5.11 cents (2016: 12.43) for the reporting period.

During the period the company undertook an on market share buyback. As at 30 June 2017, 472,102 shares had been repurchased and cancelled at a total cost of $450,512.

Significant Impacts on Future Performance

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

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

Refer to following 2017 Annual Report.

Audit

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

ACORN CAPITAL
INVESTMENT FUND

Acorn Capital Investment Fund Limited

ACN 167 595 897

2017 Annual Report

for the period ending 30 June 2017

| We research and invest in emerging companies.

INNOVATION EFFICIENCY GROWTH DIVERSITY

Acorn Capital Investment Fund Limited

ACN 167 595 897

Annual financial report

for the year ended 30 June 2017

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CORPORATE DIRECTORY

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

CHAIRMAN'S REVIEW

Dear Shareholder

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

In the year to 30 June 2017, the Company has continued to invest in accordance with its objective and has a portfolio of listed and unlisted microcap companies (being those companies smaller than the ASX-250th largest company by market capitalisation) which it believes will provide shareholders with the opportunity for long term capital appreciation. Over the past year the Net Tangible Assets of the Company have increased by +6.34%[1]. This compares to a return of +7.01% by the S&P/ASX Small Ords Accumulation Index.

The pre-tax Net Tangible Assets of the Company as at 30 June 2017 was $1.1051 per share, while its post-tax NTA was $1.0700 per share (refer to note 18). During the year the Company paid fully franked dividends to the value of 3.3c per share in accordance with its dividend guidance of paying annual dividends targeting at least 3% of closing post-tax NTA for each financial year, franked to the highest extent possible without the Company incurring a liability. This intention is subject to ACQ having sufficient profit and cash flow to make such payments.

The best performing sectors in the portfolio for the period were Utilities, Financials (ex-AREITs) and Information Technology, whilst the poorest performing sectors were Materials (ex-Resources) and Consumer Staples. The Company invests across a broad range of economic sectors, in both listed and unlisted opportunities, and provides shareholders with exposure to the innovation and growth characteristics of emerging Australian businesses.

In support of its belief in the inherent value of the underlying portfolio and to improve shareholder value the Company continued its share buy back in September 2016 and for the year ended 30 June 2017 472,102 shares were bought back at a cost of approximately $450,512 representing an average price per share of $0.95.

Subsequent to year end, Acorn Capital Limited on behalf of the Company launched a new website (www.ACQFund.com.au) that will provide news about the Company's investment strategy and portfolio. If you have not done so already I would encourage you to visit the website and subscribe for updates.

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

John Steven
Chairman
28 August 2017

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

INVESTMENT MANAGER'S REVIEW

SUMMARY OF RESULTS

As illustrated in Table 1, the Company has returned +5.40% p.a. since its inception on 1 May 2014. Over the same period the Acorn Capital/SIRCA Microcap Accumulation Index and the S&P/ASX Small Ordinaries Accumulation Index have returned +4.89% p.a. and +6.40% p.a. respectively.

Table 1. Performance of ACQ and relevant Indices

To 30 June 2017	FY2017	Since Inception[1]
Company Performance[2]	+6.34%	+5.40% p.a.
S&P/ASX Small Ordinaries Accumulation Index	+7.01%	+6.40% p.a.
Acorn Capital/SIRCA Microcap Accumulation Index[3]	+7.62%	+4.89% p.a.
S&P/ASX All Ordinaries Accumulation Index	+13.12%	+6.19% p.a.

[1] Inception is 1 May 2014
[2] Portfolio performance is unaudited and calculated as the movement in NTA before tax effects, which is post all management fees, performance fees and operating costs. Performance includes dividends paid and payable but has not been grossed up for franking credits received by shareholders. All figures are unaudited, and unlisted valuations are performed by Acorn Capital in accordance with ACQ Board approved policies.
[3] Acorn Capital/SIRCA Microcap Accumulation Index data is verified 3 months in arrears by SIRCA.

SMALL ORDS PERFORMANCE

Table 2 breaks out the performance of each Small Ords industry sub-sector and demonstrates that the best performing individual sectors for the 2017 financial year were Industrials (+28.7%), Energy (+26.1%) and Financials – ex-AREITS (+23.3%). The worst-performing sectors were Utilities (-6.5%), Information Technology (-0.5%) and Materials (-0.1%).

Table 2. Small Ords Index Sector Returns in the Financial Year to 30 June 2017

FY 2017	Small Ords Index Sector Return (%)	Average Index Weight (%)
Consumer Discretionary	+1.0%	21.3%
Consumer Staples	+20.4%	7.2%
Energy	+26.1%	4.9%
Financials – AREITs	+0.6%	12.8%
Financials – ex-AREITs	+23.3%	8.3%
Healthcare	-11.1%	6.9%
Industrials	+28.7%	9.7%
Information Technology	-0.4%	7.0%
Materials	-0.1%	19.5%
Telecommunication Services	+11.1%	1.60%
Utilities	-6.4%	0.8%
Total	**+7.01%**	**100.0%***

*rounded

Source: S&P/Acorn Capital

PERFORMANCE OF THE COMPANY

The 2017 financial year has resulted in a slight underperformance by the Company as compared to the S&P/ASX Small Ordinaries Accumulation Index.

The portfolio benefited from strong returns in the Information Technology sector (through MSL Solutions Limited and Melbourne IT Limited) as well as the Financials ex-AREITs sector (through Hub24 Limited and Fiducian Group Limited) and the Health Care sector (in particular Genea Limited and Factor Therapeutics Limited). The poorest-performing sectors in the portfolio were Consumer Staples (primarily Murray River Organics Group Limited) and Industrials – Capital Goods.

FEATURES OF THE COMPANY

The focus of the Company is on listed and unlisted Emerging Companies or Microcaps. This is a segment of the Australian investment market which is generally under-researched and under-represented in investor portfolios. The Company gives investors exposure to investments that have the potential to provide substantial capital appreciation over the long term. An investment in the Company provides capital to developing companies and supports those companies that innovate and provides exposure to Australia's entrepreneurs and the next generation of corporate success stories. A distinguishing feature of the investment strategy deployed by the Company is the ability to invest in unlisted securities. Since inception through to 30 June 2017, the Company has invested $25.5 million in 23 unlisted investments representing approximately half of the initial capital raised by ACQ in its initial public offering.

COMPANY PORTFOLIO – COMPOSITION

As illustrated in Figures 1 and 2 below, the portfolio of the Company is diversified across all microcap sectors. The portfolio held 83 stocks as at 30 June 2017 with unlisted investments representing approximately 23% of gross portfolio assets.

Fig 1. Composition of Gross Portfolio Assets

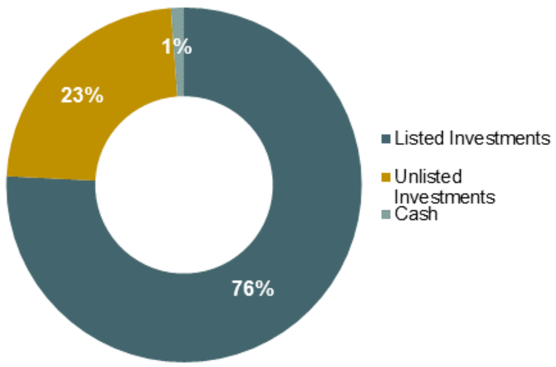
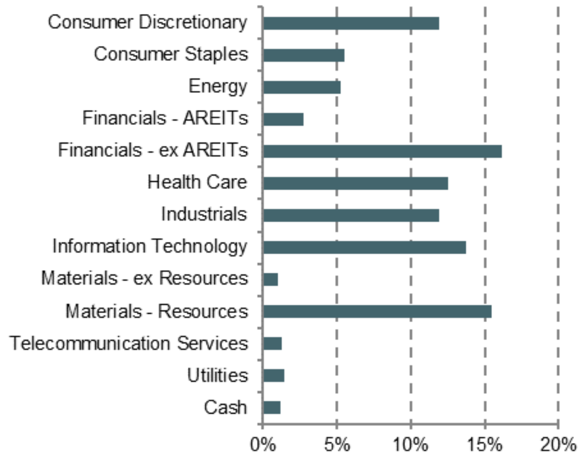


Fig 2. Sector Weights



Source: Acorn Capital estimates as at 30 June 2017

COMPANY PORTFOLIO – TOP 10 HOLDINGS

At 30 June 2017, the 10 and 20 largest stock holdings account for approximately 33.5% and 49.1% of the Company's portfolio respectively. The weighted average market capitalisation of the Company's listed investments is approximately $230 million.

Table 3. Portfolio Top 10 Holdings

Stock	Portfolio Weight %
1. Hub24	6.9%
2. Genea	4.6%
3. Redbubble	3.7%
4. Carbon Revolution	3.4%
5. MSL Solutions	3.1%
6. Innovative Asset Solutions Group	2.8%
7. Lifestylepanel Holdings	2.6%
8. Fiducian Group	2.4%
9. Aroa Biosurgery	2.3%
10. Integrated Payment Technologies	1.9%
Total	**33.5%**

Source: Acorn Capital as at 30 June 2017

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

Robert Routley
Chief Executive Officer, Head of Private Markets
Acorn Capital Limited

INFORMATION ABOUT THE INVESTMENT MANAGER

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

CORPORATE GOVERNANCE STATEMENT

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

The Board is committed to operating effectively and in the best interests of shareholders. This Corporate Governance Statement reports against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) (ASX Recommendations). To the extent they are relevant to the Company, the ASX Recommendations have been adopted by the Company. Where, after due consideration, the Company's corporate governance practices depart from an ASX Recommendation, this Corporate Governance Statement sets out the reasons for the departure.

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

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

This Corporate Governance Statement was approved by the Board of the Company on 28 August 2017 and the information contained in it is current as at that date, unless stated otherwise.

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

Alternative Principle 1: Lay solid foundations for management and oversight

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

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

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

Principle 2: Structure the Board to add value

The Board currently comprises five Directors, three of whom are considered by the Board to be independent: John Steven (Chairman), Judith Smith and David Trude. Details of the background, experience and professional skills of each Director, as well as the period that each Director has held office, are set out in the Directors' Report from page 13.

The Board believes that the Company is fully compliant with its requirements under Principle 2 and its recommendations.

Principle 3: Act ethically and responsibly

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

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

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

Principle 4: Safeguard integrity in corporate reporting

The Board has established an Audit Committee to assist the Board to implement controls designed to safeguard the Company's interests and the integrity of its reporting. The Audit Committee comprises the three independent Non-Executive Directors, Judith Smith (Chairperson), John Steven and David Trude. The chairperson is not the chairman of the Board. For more information regarding the qualifications and experience of the members of the Audit Committee please refer to pages 13 - 15 of the Director's Report.

The Audit Committee met four times during the reporting period. For more information on the Audit Committee's meetings and attendances please refer to page 15 of the Director's Report.

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

The objectives of the Audit Committee are to:

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

The responsibilities of the Audit Committee include:

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

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

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

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

Principle 5: Make timely and balanced disclosure

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

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

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

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

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

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

Principle 6: Respect the rights of shareholders

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

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

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

All shareholders have the opportunity to attend the Annual General Meeting and ask questions of the Board.

During the Company's engagements with shareholders, such shareholders are provided the opportunity to meet with representatives of the Board or management, to learn more about the Company's activities and ask questions regarding the Company's activities.

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

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

Principle 7: Recognise and manage risk

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

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

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

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

- operational and investment risk; and
- liquidity risk.

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

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

Poor market conditions (and more specifically underperformance by the Company) have been identified as an economic sustainability risk that has the potential to materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. This risk is addressed and managed within the Company's investment strategy and through the Company's ability to diversify across sectors and in both listed and unlisted securities.

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

Alternative Principle 8: Remunerate fairly and responsibly

Recommendations 8.1 – 8.3 are not applicable to the Company due to its being an externally managed listed entity.

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

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

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

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

Directors' Report

The directors of Acorn Capital Investment Fund Limited (the **Company**), present their report together with the financial statements of the Company for the period from 1 July 2016 to 30 June 2017.

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

Directors

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

John Steven (Chairman and Independent Non-Executive Director)
Judith Smith (Independent Non-Executive Director)
David Trude (Independent Non-Executive Director)
Robert Brown (Director)
Barry Fairley (Director)

Principal activities

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

Review and results of operations

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

The most appropriate measure of the Company's financial performance is total comprehensive income. Total comprehensive income for the reporting period ended 30 June 2017 was $2,505,353 (2016: $6,217,203). Total comprehensive income includes the profit after tax and both realised and unrealised gains/(losses) on the Company's investments.

The Company's profit before income tax for the reporting period was $3,479,074 (2016: $8,563,731).

The profit after income tax for the reporting period was $2,505,353 (2016: $6,217,203).

Basic earnings per share after income tax were 5.11 cents for the reporting period (2016: 12.43 cents).

	For the reporting period ended 30 June 2017	For the reporting period ended 30 June 2016
	$'000	$'000
Profit before income tax expense	**3,479**	8,563
Income tax expense	**974**	2,346
Profit after income tax attributable to the owners of the Company	**2,505**	6,217
Equity	**52,174**	51,470

Net Tangible Asset Backing (NTA) per share	**As at 30 June 2017 (non-IFRS)**	
	For monthly NTA Reporting $/share	**For Financial Reporting $/share**
NTA per share before income tax ($/share)	**1.1036**	**1.1051**
NTA after income tax excluding tax on unrealised gains ($/share)	**1.0839**	**1.0853**
NTA per share after income tax ($/share)	**1.0686**	**1.0700**

Review and results of operations (continued)

Net Tangible Asset Backing (NTA) per share	As at 30 June 2016 (non-IFRS)	
	For monthly NTA Reporting $/share	For Financial Reporting $/share
NTA per share before income tax ($/share)	1.0695	1.0707
NTA after income tax excluding tax on unrealised gains ($/share)	1.0785	1.0796
NTA per share after income tax ($/share)	1.0500	1.0511

The NTA per ordinary share for monthly NTA reporting as required by ASX Listing Rule 4.12 is calculated in accordance with the ASX Listing Rule 4.19. Refer to Note 18 for details on the Net Assets used to calculate the NTA per ordinary share.

Dividends

	cents	$000
2017 Interim Dividend (ordinary shares) paid 31 March 2017	1.5	736
2017 Final Dividend (ordinary shares) payable on 29 September 2017	2.0	970
	3.5	**1,706**

Significant changes in the state of affairs

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

Events occurring after end of the year

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

(a) the Company's operations in the future reporting period, or

(b) the results of those operations in future reporting period, or

(c) the Company's state of affairs in future reporting period.

Business strategies, prospects and likely developments

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

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

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

Environmental regulations

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

Information on Directors

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

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

John Steven (Chairman and Independent Non-Executive Director)

John Steven is the head of the National M&A Business Unit of Minter Ellison and a member of the firm's Executive Leadership Team. He practises in the corporate and capital markets area, particularly public and private mergers and acquisitions, capital raisings and government projects. He also has an extensive general corporate practice.

John is currently chairman of the Advisory Committee of a private investment fund of commercial and state government investors and is on the advisory Board or similar of various not for profit organisations. He was previously a Board Member of the Monash University Law Foundation. He holds a Bachelor of Laws (with Honours), a Bachelor of Economics and a Diploma of Commercial Law from Monash University.

Other current Directorships
Nil

Former Directorships in the last 3 years
Nil

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

Interests in shares of the Company
Details of John's interests in the Company are included on page 16 of this report.

Judith Smith (Independent Non-Executive Director)

Prior to undertaking non executive roles Judith was formerly the Head of Private Equity at IFM Investors and Chair of the IFM Risk Committee. Judith was also a member of the IFM Investment Committee, a role she has retained following her retirement from the firm. At IFM Judith managed a multi-billion private equity portfolio of domestic and global investments. Prior to her role at IFM, Judith held various investment management roles including more than a decade at National Mutual Funds Management (NMFM). At NMFM, she managed Australian equity research and strategy, as well as Australian equity portfolios. Judith holds a Master of Applied Finance from the University of Melbourne and a Bachelor of Economics (with Honours) from Monash University. She is a Fellow of the Financial Services Institute of Australasia and Graduate member of the Australian Institute of Company Directors. Judith is a director of LUCRF and Universal Bisensors Inc. and a former director of the Australian Renewable Energy Authority ("ARENA") and currently is an independent member of the ARENA Audit and Risk Committee.

Other current Directorships
LUCRF, Universal Biosensors Inc

Former Directorships in the last 3 years
Nil

Special responsibilities
Judith is the chair of the Audit Committee.

Interests in shares of the Company
Details of Judith's interests in the Company are included on page 16 of this report.

David Trude (Independent Non-Executive Director)

David is a senior corporate banking executive with 40 years' experience in a variety of financial services roles in the banking and securities industries. He is the Chairman of Baillieu Holst (formerly E.L.&C. Baillieu), a position he has held since 2010 and has been a member of its Board since 2007. David was formerly Managing Director, Australian Chief Executive Officer/Country Manager of Credit Suisse Australia Ltd. He is Chairman of Waterford Retirement Village, Hansen Technologies Limited and East West Line Parks Limited and is a member of the board of Chi-X Australia Pty Ltd. He is a former Panel Member of the ASX

Information on Directors (continued)

Disciplinary Tribunal and Director of the Stockbrokers Association of Australia.

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

Other current Directorships
David is Chairman of Hansen Technologies Limited (appointed May 2011) and a Director of MSL Solutions Ltd (appointed 9 March 2017)

Former Directorships in the last 3 years
Nil

Special responsibilities
David is a member of the Audit Committee.

Interests in shares of the Company
Details of David's interests in the Company are included on page 16 of this report.

Robert Brown (Director)

Robert Brown is an independent Director of the Manager and is Chairman of its subsidiary Australian Microcap Investments Pty Ltd. He is an emeritus professor of Finance in the Department of Finance, University of Melbourne, where his research has focused on security market behaviour. He holds a Bachelor of Economics (with Honours) and Master of Economics from the University of Sydney and a Graduate Diploma in Accounting from Victoria College. He is a fellow of CPA Australia, a senior fellow of the Australasian Institute of Financial Services and a graduate of the Australian Institute of Company Directors. Robert is currently a Director of the Manager, Acorn Capital Limited (appointed November 1998) and its wholly owned subsidiary Australian Microcap Investments Pty Limited (appointed December 2008).

Other current Directorships
Acorn Capital Ltd, Australian Microcap Investments Pty Ltd.

Former Directorships in the last 3 years
Nil

Special responsibilities
Nil

Interests in shares of the Company
Details of Robert's interests in the Company are included on page 17 of this report.

Barry Fairley (Director)

Barry Fairley is a director of Acorn Capital Ltd and is the former Managing Director of the Manager. In that capacity he was responsible for the strategic direction and management of the Manager. Barry founded the Manager in 1998 and has more than 40 years of investment experience.

Prior to forming the Manager, Barry was the Managing Director at Triako Resources Limited. During his 15 years at Triako Resources, Barry was responsible for the company's strategic direction and management, including the acquisition and financing of major projects. Barry also served as a Partner/Director at McIntosh Securities Limited. Barry began his career at Colonial Mutual Life where he was a Financial Analyst.

Barry holds a Diploma in Mining Engineering.

Other current Directorships
Acorn Capital Ltd, Australian Microcap Investments Pty Ltd, Acorn Capital GP Pty Ltd.

Former Directorships in the last 3 years
Nil

Special responsibilities
Nil

Interests in shares of the Company
Details of Barry's interests in the Company are included on page 16 of this report.

Company secretary

Matthew Sheehan

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

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

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

Meeting of Directors

The numbers of meetings of the Company's Board of Directors held during the reporting period ended 30 June 2017, and the numbers of meetings attended by each Director were:

	Board Meetings Attended	**Board Meetings Held**
John Steven	11	11
Judith Smith	10	11
David Trude	10	11
Robert Brown	11	11
Barry Fairley	9	11

	Audit Committee Meetings Attended	**Audit Committee Meetings Held**
John Steven	4	4
Judith Smith	4	4
David Trude	4	4

Indemnification and insurance of officers and auditors

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

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

Non-audit services

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

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

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

For the reporting period ended	30 June 2017	30 June 2016
	$	$
Audit services		
Audit and review of financial statements and other audit work under the *Corporations Act 2001*	**47,534**	46,655
Total remuneration for audit services	**47,534**	46,655

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

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

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

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

Name	Ordinary Shares
John Steven	-
Judith Smith	25,000
David Trude	30,000
Robert Brown	55,787
Barry Fairley	1,353,313

Rounding of amounts

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19 and forms part of this Directors' Report.

Remuneration report (Audited)

This report details the remuneration policy and outcomes for key management personnel ("KMP") of the Company (as defined in AASB 124 Related Party Disclosures) for the year ended 30 June 2017. This remuneration report forms part of the Directors' Report and has been audited in accordance with the Corporations Act.

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

Remuneration policy

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

Relationship between remuneration policy and the Company performance

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

Remuneration arrangements

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

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

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

Remuneration details for the reporting period ended 30 June 2017

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

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

Name	Period	Short-term benefits Cash salary and fees	Post-employment benefits Superannuation	Total
		$	**$**	**$**
John Steven	**FY17**	**54,795**	**5,205**	**60,000**
	FY16	54,795	5,205	60,000
Judith Smith	**FY17**	**36,530**	**3,470**	**40,000**
	FY16	36,530	3,470	40,000
David Trude	**FY17**	**36,530**	**3,470**	**40,000**
	FY16	36,530	3,470	40,000
Robert Brown	**FY17**	**-**	**-**	**-**
	FY16	-	-	-
Barry Fairley	**FY17**	**-**	**-**	**-**
	FY16	-	-	-
Total	**FY17**	**127,855**	**12,145**	**140,000**
	FY16	127,855	12,145	140,000

Director equity interests

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

Name	Ordinary Shares held at start of the reporting period	Net change	Ordinary Shares held at end of the reporting period
John Steven	Nil	-	Nil
Judith Smith	25,000	-	25,000
David Trude	30,000	-	30,000
Robert Brown	10,000	45,787	55,787
Barry Fairley	325,000	1,028,313	1,353,313

Other transactions with key management personnel or entities related to them

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

Loans transactions and balances

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

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

John Steven
Chairman and Non-Executive Director
Melbourne
28 August 2017

Ernst & Young
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Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

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Fax: +61 3 8650 7777
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Auditor's Independence Declaration to the Directors of Acorn Capital Investment Fund Limited

As lead auditor for the audit of Acorn Capital Investment Fund Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Luke Slater

Luke Slater
Partner
Melbourne
28 August 2017

Statement of comprehensive income

For the reporting period ended	Notes	30 June 2017 $'000	30 June 2016 $'000
Revenue from ordinary activities			
Interest income		**121**	25
Dividend/Distribution income	3	**514**	787
Total revenue		**635**	812
Net gains on financial instruments held at fair value through profit or loss	6	**3,938**	8,536
Foreign exchange gains		**-**	25
Other income		**37**	69
Total income		**4,610**	9,442
Expenses			
Management fees	15	**559**	471
Directors' fees	15	**140**	140
Auditor's remuneration	5	**48**	47
Brokerage expenses		**142**	143
Doubtful debts expense		**-**	(124)
Insurance		**47**	50
Share registry fees		**51**	37
ASX fees		**35**	33
Legal fees		**24**	32
Custody fees		**32**	37
Other expenses		**53**	13
Total expenses		**1,131**	879
Profit before income tax expense		**3,479**	8,563
Income tax expense	4	**974**	2,346
Profit after income tax for the reporting period attributable to the owners of the Company		**2,505**	6,217
Other comprehensive income for the reporting period attributable to the owners of the Company		-	-
Total comprehensive income for the reporting period		**2,505**	6,217
Earnings per share for profit after income tax attributable to the owners of the ordinary shares of the Company:			
Basic	13	**5.11**	12.43
Diluted	13	**5.11**	12.43

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

Statement of financial position

As at	Notes	30 June 2017 $'000	30 June 2016 $'000
Assets			
Current assets			
Cash and cash equivalents	7	**653**	2,264
Receivables & Prepayments	8	**121**	669
Financial assets held at fair value through profit or loss	9	**53,440**	51,674
Total current assets		**54,214**	54,607
Total assets		**54,214**	54,607
Liabilities			
Current liabilities			
Payables	11	**333**	2,179
Provision for current income tax		**1,025**	-
Total current liabilities		**1,358**	2,179
Non-current liabilities			
Deferred tax liability	10	**682**	958
Total non-current liabilities		**682**	958
Total liabilities		**2,040**	3,137
Net assets		**52,174**	51,470
Equity			
Contributed equity	12	**47,563**	47,747
Accumulated losses		**(4,680)**	(2,494)
Dividend reserve		**9,291**	6,217
Total equity attributable to owners of the Company		**52,174**	51,470

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

Statement of changes in equity

For the reporting period ended 30 June 2017	**Contributed equity**	**Accumulated losses**	**Dividend reserve**	**Total Equity**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 July 2016	**47,747**	**(2,494)**	**6,217**	**51,470**
Profit after income tax for the reporting period attributable to the owners of the Company	**-**	**(2,186)**	**4,691**	**2,505**
Total comprehensive income for the reporting period attributable to the owners of the Company	**47,747**	**(4,680)**	**10,908**	**53,975**
Transactions with owners in their capacity as owners:				
Share buy back	**(450)**	**-**	**-**	**(450)**
Dividends paid	**-**	**-**	**(1,617)**	**(1,617)**
Dividends reinvested	**266**	**-**	**-**	**266**
Balance at 30 June 2017	**47,563**	**(4,680)**	**9,291**	**52,174**

For the reporting period ended 30 June 2016	Contributed equity	Accumulated losses	Dividend reserve	Total Equity
	$'000	$'000	$'000	$'000
Balance at 1 July 2015	49,266	(2,494)	-	46,772
Contributed equity	-	-	-	-
Profit after income tax for the reporting period attributable to the owners of the Company	-	-	6,217	6,217
Total comprehensive income for the reporting period attributable to the owners of the Company	49,266	(2,494)	6,217	52,989
Transactions with owners in their capacity as owners:				
Share buy back	(1,519)	-	-	(1,519)
Balance at 30 June 2016	47,747	(2,494)	6,217	51,470

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

Statement of cash flows

For the reporting period ended	Notes	30 June 2017 $'000	30 June 2016 $'000
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		**41,507**	33,625
Purchase of financial instruments held at fair value through profit or loss		**(40,729)**	(31,181)
Transaction costs on financial instruments held at fair value through profit or loss		**(142)**	(154)
Dividends / distribution income received		**549**	701
Interest received		**75**	25
Custody fees paid		**(25)**	(34)
Other income received		**22**	69
Other expenses paid		**(1,067)**	(671)
Net cash inflow from operating activities	17(a)	**190**	2,380
Cash flows from financing activities			
Share buyback		**(450)**	(1,519)
Dividends paid		**(1,351)**	-
Net cash outflow from financing activities		**(1,801)**	(1,519)
Net increase in cash and cash equivalents		**(1,611)**	861
Cash and cash equivalents at the beginning of the reporting period		**2,264**	1,403
Cash and cash equivalents at the end of the reporting period	7,17(b)	**653**	2,264

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

Contents

1 General information

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

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

The Company is incorporated and domiciled in Australia.

The financial statements are presented in Australian currency.

The financial statements are for the period from 1 July 2016 to 30 June 2017 (the **reporting period**).

The financial statements were authorised for issue by the Directors on 28 August 2017. The Directors of the Company have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. The Company is a for-profit entity for the purposes of preparing the financial statements.

These financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statement of financial position presents assets and liabilities on the basis of current and non-current items.

Compliance with Australian Accounting Standards and International Financial Reporting Standards (IFRS)

The financial statements of the Company comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

New/Amended standard adopted by the Company

There were no new or amended standards and interpretations that became effective for the first time for the reporting period that were relevant to the Company.

(b) Financial instruments

(i) ***Classification***

- *Financial assets and liabilities held at fair value through profit or loss*

The Company's investments are categorised as held at fair value through profit or loss.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is for the Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

The information on the fair value basis is provided internally to the Company's key management personnel. In addition, the designation of financial assets and financial liabilities at fair value through profit or loss will reduce any measurement or recognition inconsistencies and any accounting mismatch that would otherwise arise.

- *Loans and receivables/payables*

Loans and receivables/payables are non-derivative financial assets/liabilities with fixed or determinable payments that are not quoted in an active market. This category includes short-term receivables/payables.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) ***Recognition/derecognition***

The Company recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' agreement; or
- the Company has transferred its rights to receive cash flows from the asset and either:

  (a) has transferred substantially all the risks and rewards of the asset; or
  (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(iii) ***Measurement***

- *Financial assets and liabilities held at fair value through profit or loss*

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities held at fair value through profit or loss are expensed immediately. 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.

- *Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the year without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

A financial instrument is regarded as quoted in active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Company's financial instruments that are valued based on active markets generally include listed instruments, such as listed equity securities and listed options.

- *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities not traded in an active market is determined using valuation techniques. These include the use of recent arm’s length market transactions in the asset being valued or comparable assets, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management’s best estimates and the discount rate used is the market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period.

There may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Company recognises the difference in the statement of comprehensive income to reflect a change in factors, including time, that market participants would consider in setting a price.

The fair value of an option contract is determined by applying the most appropriate option valuation model.

The Company's financial instruments that are valued based on inactive or unquoted markets generally include unlisted instruments such as unlisted equity and/or debt securities.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement (continued)

- *Loans and receivables/payables*

Loans and receivables/payables are measured initially at fair value plus transaction costs.

Subsequently, loans are carried at amortised cost using the effective interest method, less impairment losses, if any. Short-term receivables/payables are carried at their initial fair values.

(iv) Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as 'doubtful debt expense'.

Impaired debts together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced. If a previous write-off is later recovered, the recovery is credited to the 'doubtful debt expense'.

Interest revenue on an impaired financial asset is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when and only when, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(c) Cash and cash equivalents

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

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Company's main income generating activity.

(d) Revenue/income recognition

Interest income and interest expenses are recognised in the statement of comprehensive income for all financial instruments on an accruals basis. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b). Dividend income is recognised on the ex-dividend date and recognised gross of any applicable withholding taxes.

Trust distributions are recognised on an entitlements basis.

Net gains/(losses) on financial assets and financial liabilities held at fair value through profit or loss arising from a change in fair value are calculated as the difference between the fair value at the end of the reporting period and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend/distribution income. Realised and unrealised gains/(losses) are shown in the notes to the financial statements.

2 Summary of significant accounting policies (continued)

(e) Expenses

All expenses, are recognised in the statement of comprehensive income on an accrual basis.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the Australian corporate income tax rate (30%) adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

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

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

(g) Contributed equity

Ordinary shares are classified as equity. Issued and paid up equity is recognised at the fair value of the consideration received by the Company.

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

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

(h) Earnings per share

(ii) *Basic earnings per share*

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

(ii) Diluted earnings per share

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

(i) Functional and presentation currency

(i) Functional and presentation currency

2 Summary of significant accounting policies (continued)

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates ("the functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Company competes for funds and is regulated. The Australian dollar is also the Company's presentation currency.

(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 translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

The Company does not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

(j) Receivables

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

(k) Payables

Payables include liabilities and accrued expenses owing by the Company which are unpaid as at the end of the period.

Trades are recorded on trade date and normally settled within two business days. Purchases of financial instruments that are unsettled at the end of each year are included in payables.

(l) Goods and services tax (GST)

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

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

(m) Operating segment information

The Company operates in Australia only and the principal activity is investment.

2 Summary of significant accounting policies (continued)

(n) Use of judgement and estimates

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

The Company's financial instruments are valued primarily based on the prices provided by independent pricing services.

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

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

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

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

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

(o) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting period and have not yet been applied in the financial statements. The Director's assessment of the impact of these new standards (to the extent relevant to the Company) and interpretations are set out below:

(i) AASB 9 Financial Instruments (and applicable amendments) (effective from 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. It has now also introduced revised rules for hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The Company does not expect this to have a significant impact on the recognition and measurement of the Company’s financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements and the Company does not apply hedge accounting. AASB 9 introduces a new impairment model. For the Company’s investments held at fair value through profit or loss, the change in impairment rules will not have an impact. For those carried at amortised cost, ie receivables, there will not be a material impact from the new impairment model. The Company does not intend to early adopt AASB 9. The Company will apply AASB 9 in its financial statements for the year commencing from 1 July 2018.

(ii)) AASB 15 Revenue from Contracts with Customers (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. Once applied or effective, AASB 15 will replace AASB 118 Revenue which covers contracts for goods and services and AASB 111 Construction Contracts which covers construction contracts. AASB 15 is based on the notion that revenue is recognised when control of a good or service transfers to a customer. This notion of control replaces the existing notion of risks and rewards. The Company’s main source of income includes interest, dividends/distributions and gains on financial instruments held at fair value through profit or loss. All of these are outside the scope of the Revenue standard. Consequently, the Company does not expect AASB 15 to have a significant impact on the Company’s financial statements. The Company does not intend to early adopt AASB 15. The Company will apply AASB 15 in its financial statements for the reporting period commencing from 1 July 2018.

2 Summary of significant accounting policies (continued)

(o) New accounting standards and interpretations (continued)

(iii) AASB 2016 1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (effective from 1 January 2017)*

AASB 2016-1 amends AASB 112 Income Taxes to clarify the requirements on recognition of deferred tax assets for unrealised losses for debt instruments measured at fair value. No significant impact is expected upon adoption of the amendments. The Company does not intend to early adopt AASB 2016-2. The Company will apply AASB 2016-2 in its financial statements for the reporting period commencing from 1 July 2017.

(iv) AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (effective from 1 January 2017)

AASB 2016-2 amends AASB 107 Statements of Cash Flows to require entities to provide disclosure that enable users of financial statements to evaluate cash and non-cash changes in their financing activities. No significant impact is expected upon adoption of the amendments. The Company does not intend to early adopt AASB 2016-2. The Company will apply AASB 2016-2 in its financial statements for the reporting period commencing from 1 July 2017.

(p) Rounding of amounts

The Company is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission ("ASIC"), relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, in accordance with that ASIC Instrument, unless otherwise indicated.

(q) Dividends to equity holders

The Company recognises a liability to make cash or non-cash distributions to equity holders of the company when the distribution is authorised and the distribution is no longer at the discretion of the Company.

(r) Reserves

The Company has established a dividend reserve for the purpose of reserving profits to allow the Company to declare dividends. Transfers occur if appropriate at the end of each half yearly reporting period.

3 Dividend/Distribution income

For the reporting period ended	30 June 2017	30 June 2016
	$'000	$'000
Dividends	**441**	643
Trust Distributions	**73**	144
	514	787

4 Income tax expense

For the reporting period ended	30 June 2017	30 June 2016
	$'000	$'000
(a) Income tax expense recognised in profit or loss		
Current income tax expense	**1,250**	-
Deferred tax expenses	**(276)**	2,346
	974	2,346
Deferred income tax expense included in tax expense comprises:		
Decrease in deferred tax assets	**-**	1,388
(Decrease)/increase in deferred tax liabilities	**(276)**	958
	(276)	2,346
(b) Numerical reconciliation of tax expense to prima facie tax payable		
Profit before income tax expense	**3,479**	8,563
Tax at the Australian tax rate of 30%	**1,044**	2,569
Tax effect of amounts which are assessable (not deductible) in calculating taxable income	**(70)**	(223)
Income tax expense	**974**	2,346
Imputation tax credits and other tax offsets	**(109)**	(116)
Other	**39**	-
Adjustment to prior year losses recognised	**--**	(107)
	(70)	(223)
(c) Tax losses		
Unused income tax losses for which no deferred tax asset has been recognised	**-**	-
(d) Unrecognised temporary differences		
Temporary differences for which deferred tax liabilities have not been recognised	**-**	-
Unrecognised deferred tax liabilities relating to the above temporary differences	**-**	-

(e) Taxation of financial arrangements (TOFA)

The TOFA legislation provides a comprehensive framework for taxing 'financial arrangements' which alters both the character and the timing of income and deductions for taxation purposes. The TOFA tax methods applied are the 'default' method, that is, the compounding accrual method for interest bearing financial arrangements and the 'realisation' method for non-interest bearing financial arrangements.

5 Auditor's remuneration

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

For the reporting period ended	30 June 2017	30 June 2016
	$	$
(a) Audit services		
Audit and review of financial statements and other audit work under the Corporations Act 2001	47,534	46,655
Total remuneration for audit services	47,534	46,655
Total auditor's remuneration	47,534	46,655

6 Net gains on financial instruments held at fair value through profit or loss

For the reporting period ended	30 June 2017	30 June 2016
	$'000	$'000
Net unrealised (loss)/gain on financial assets designated at fair value through profit or loss	(2,754)	7,224
Net realised gain on financial assets designated at fair value through profit or loss	6,692	1,312
Total net gains on financial instruments held at fair value through profit or loss	3,938	8,536

7 Cash and cash equivalents

As at	30 June 2017	30 June 2016
	$'000	$'000
Cash at bank	653	2,264
	653	2,264

8 Receivables & Prepayments

As at	30 June 2017	30 June 2016
	$'000	$'000
Distributions receivable	22	57
Interest receivable	1	-
Trade receivables	-	552
GST claimable	35	12
Prepaid expenses	56	-
Other receivables	7	48
Total receivables	121	669

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

9 Financial assets held at fair value through profit or loss

As at	30 June 2017	30 June 2016
	$'000	$'000
Designated at fair value through profit or loss		
Listed equities	**40,057**	41,164
Listed property trusts	**896**	1,360
Listed unit trusts	**35**	615
Unlisted equities	**8,319**	7,691
Convertible notes	**4,133**	844
Total designated at fair value through profit or loss	**53,440**	51,674
Total financial assets held at fair value through profit or loss	**53,440**	51,674

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

10 Deferred tax assets/(liabilities)

As at	30 June 2017	30 June 2016
The balance comprises temporary differences attributable to:		
Amount recognised in profit or loss		
Tax losses	**-**	410
Unclaimed incorporation expenses carried forward	**64**	127
Other deferred tax assets/(liabilities)	**(746)**	(1,495)
Total deferred tax assets/(liabilities)	**(682)**	(958)
Set off of deferred tax liabilities pursuant to set-off provisions	**-**	-
Net deferred tax assets/(liabilities)	**(682)**	(958)
Movements		
Opening balance	**(958)**	1,388
Credited/(charged) to profit or loss	**276**	(2,346)
Closing balance at 30 June	**(682)**	(958)
Gross up for deferred tax liabilities netted off	**-**	-
Gross deferred tax assets/(liabilities)	**(682)**	(958)
Deferred tax assets/(liabilities) to be settled after more than 12 months	**(682)**	(958)
Deferred tax assets/(liabilities) to be settled within 12 months	**-**	-
	(682)	(958)

The deferred tax asset attributable to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

11 Payables

As at	30 June 2017	30 June 2016
	$'000	$'000
Trade payables	**35**	1,852
Management fees payable	**289**	262
Other payables	**9**	65
Total payables	**333**	2,179

12 Contributed equity and movements in total equity

As at	30 June 2017	30 June 2016
	No.'000	No.'000
(a) Share capital		
Ordinary shares		
Fully paid	48,758	48,968
(b) Movements in shares on issue:		
Opening balance	**48,968**	50,820
Share buy back	**(472)**	(1,852)
Distributions reinvested	**262**	-
Closing balance	**48,758**	48,968

The Company is conducting an on-market share buy-back of up to 4,893,527 shares representing approximately 10% of its ordinary shares. The buy-back commenced on 10 October 2016 and will continue for 12 months.

(c) Terms and conditions of contributed equity

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

(d) Capital risk management

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

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

13 Earnings per share

For the period ending	30 June 2017 $'000	30 June 2016 $'000
(a) Earnings		
Profit after income tax attributable to the owners of the Company ($'000)	**2,505**	6,217
Earnings used in calculating basic and diluted earnings per share ($'000)	**2,505**	6,217
(b) Earnings per share		
Basic earnings per share (cents)	**5.11**	12.43
Diluted earnings per share (cents)	**5.11**	12.43
(c) Number of shares		
Weighted average number of shares used in the calculation of basic earnings per share	**49,015,797**	50,023,674
Weighted average number of shares used in the calculation of diluted earnings per share	**49,015,797**	50,023,674

14 Financial risk management

(a) Objectives, strategies, policies and processes

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

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

(b) Market risk

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

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

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

At 30 June 2017, the overall market exposures were as follows:

As at	30 June 2017	30 June 2016
Securities at fair value through profit or loss	**53,440**	51,674
	53,440	51,674

14 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk

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

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

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

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

At 30 June 2017, if the equity prices had increased/(decreased) by the percentage indicated below, with all other variables held constant, the total equity and profit/(loss) would have changed by the following amounts, approximately and respectively:

As at	**30 June 2017 Increased by 10%**	**30 June 2017 Decreased by 10%**	30 June 2016 Increased by 10%	30 June 2016 Decreased by 10%
	$'000	**$'000**	$'000	$'000
Increase/(decrease) in total equity (and profit/(loss) for the reporting period attributable to the owners of the Company)	**5,344**	**(5,344)**	5,167	(5,167)

(ii) Foreign exchange risk

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

There was no significant direct foreign exchange risks in the Company as at 30 June 2017 (2016: Nil).

(iii) Interest rate risk

There was no significant direct interest rate risks in the Company as at 30 June 2017 (2016: Nil).

(c) Credit risk

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

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

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

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

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

14 Financial risk management (continued)

(d) Concentrations of risk

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

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

Concentrations of risk are managed by industry sector.

Based on the concentrations of risk, the following investments can be analysed by the industry sector as at 30 June 2017 and 30 June 2016:

As at	30 June 2017 $'000	30 June 2016 $'000
Materials	**8,170**	11,940
Financials	**12,607**	10,538
Consumer Discretionary	**3,860**	8,641
Information Technology	**3,908**	5,808
Industrials	**11,279**	4,878
Health Care	**7,003**	4,336
Energy	**1,808**	3,333
Consumer Staples	**1,814**	1,265
Telecommunication Services	**528**	935
Utilities	**2,461**	-
Total	**53,438**	51,674

(e) Liquidity risk

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

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

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

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

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

	Less than 1 month $'000	1-3 months $'000	3-12 months $'000	More than 12 months $'000
As at 30 June 2017				
Payables	**333**	-	-	-
Total financial liabilities - Contractual cash flows	**333**	-	-	-

14 Financial risk management (continued)

(e) Liquidity risk (continued)

	Less than 1 month $'000	1-3 months $'000	3-12 months $'000	More than 12 months $'000
As at 30 June 2016				
Payables	2,179	-	-	-
Total financial liabilities - Contractual cash flows	2,179	-	-	-

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

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

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

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

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

(g) Fair value hierarchy

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

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

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

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

All fair value measurements disclosed are recurring fair value measurements.

14 Financial risk management (continued)

(g) Fair value hierarchy (continued)

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

All fair value measurements disclosed are recurring fair value measurements.

As at 30 June 2017	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets held at fair value through profit or loss				
Listed equities	**40,057**	**-**	**-**	**40,057**
Listed property trusts	**896**	**-**	**-**	**896**
Listed unit trusts	**35**	**-**	**-**	**35**
Unlisted equities	**-**	**-**	**8,319**	**8,319**
Convertible notes	**-**	**-**	**4,133**	**4,133**
Total	**40,988**	**-**	**12,452**	**53,440**
Financial assets and liabilities held at amortised cost				
Cash and cash equivalents	**653**	**-**	**-**	**653**
Receivables	**-**	**121**	**-**	**121**
Payables	**-**	**(333)**	**-**	**(333)**
Total	**653**	**(212)**	**-**	**441**

As at 30 June 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets held at fair value through profit or loss				
Listed equities	41,164	-	-	41,164
Listed property trusts	1,360	-	-	1,360
Listed unit trusts	615	-	-	615
Unlisted equities	-	-	7,691	7,691
Convertible notes	-	-	844	844
Total	43,139	-	8,535	51,674
Financial assets and liabilities held at amortised cost				
Cash and cash equivalents	2,264	-	-	2,264
Receivables	-	669	-	669
Payables	-	(2,179)	-	(2,179)
Total	2,264	(1,510)	-	754

14 Financial risk management (continued)

(g) Fair value hierarchy (continued)

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

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

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

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

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

Level 3 valuations are reviewed monthly by the relevant management. In determining enterprise values to arrive at share or unit prices for level 3 investments, management uses various valuation techniques to assess the fair value. These include relative valuation metrics, liquidation values, recent third party sales and independent valuations. Management considers the appropriateness of the valuation inputs, methods and techniques used in the valuations. The valuation inputs are generally sourced from independent third party pricing sources without adjustment such as stock exchanges, pricing agencies and/or fund managers. Where the inputs are considered stale, unobservable, proprietary or from an inactive market, they are categorised as level 3.

Transfers between levels of fair value hierarchy are deemed to have occurred at the reporting date. Transfers that have occurred are due to unlisted investments listing on ASX during the period.

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

As at 30 June 2017	**Opening balance**	**Purchases**	**Sales**	**Transfers into level 3**	**Transfers out of level 3**	**Gains/(losses) recognised in profit or loss**	**Closing balance**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Unlisted equities	7,691	5,089	(1,891)	-	(2,232)	(338)	8,319
Convertible notes	844	3,383	(94)	-	-	-	4,133
Total	8,535	8,472	(1,985)	-	(2,232)	(338)	12,452

As at 30 June 2016	Opening balance	Purchases	Sales	Transfers into level 3	Transfers out of level 3	Gains/(losses) recognised in profit or loss	Closing balance
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Listed equities	362	-	-	-	-	(362)	-
Unlisted equities	4,981	5,571	(1,000)	-	-	(1,861)	7,691
Convertible notes	736	750	(960)	-	-	318	844
Warrants	19	-	-	-	-	(19)	-
Total	6,098	6,321	(1,960)	-	-	(1,924)	8,535

14 Financial risk management (continued)

(h) Sensitivity analysis for unlisted investments

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

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

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

Sensitivity Analysis as at 30 June 2017

Sector	Valuation Method	Fair Value Equities $	Sector volatility (past 5 years)	Low $	High $
Financials ex-AREITs	Relative Valuation	734,617	11.38%	(83,569)	83,569
Industrials Capital Goods	3rd Party Transaction	1,821,000	20.44%	(372,224)	372,224
Health Care	3rd Party Transaction	4,592,468	18.88%	(867,038)	867,038
Consumer Staples	3rd Party Transaction	774,000	14.31%	(110,788)	110,788
Industrials – ex-Capital Goods	Relative Valuation	396,494	12.81%	(50,804)	50,804

Sector	Valuation Method	Fair Value C/Notes $	Sector volatility (past 5 years)	Low $	High $
Industrials ex-Capital Goods	3rd Party Transaction	2,882,500	12.81%	(369,346)	369,346
Financials - ex-AREITs	3rd Party Transaction	500,000	11.38%	(56,879)	56,879
Information Technology	3rd Party Transaction	750,000	14.30%	(107,225)	107,225

Sensitivity Analysis as at 30 June 2016

Sector	Valuation Method	Fair Value Equities $	Sector volatility (past 5 years)	Low $	High $
Financials ex-AREITs	Relative Valuation	312,402	12.32%	(38,478)	38,478
Industrials Capital Goods	3rd Party Transaction	1,496,566	19.71%	(294,898)	294,898
Health Care	3rd Party Transaction	1,970,840	20.18%	(397,741)	397,741
Energy	3rd Party Transaction	474,750	25.53%	(121,219)	121,219
Consumer Staples	3rd Party Transaction	873,090	14.73%	(128,582)	128,582
IT	3rd Party Transaction	1,704,099	14.84%	(252,876)	252,876
Industrials ex-Capital Goods	3rd Party Transaction	1,017,018	12.48%	(126,945)	126,945

Sector	Valuation Method	Fair Value C/Notes $'000	Sector volatility (past 5 years)	Low $'000	High $'000
Financials ex-AREITs	3rd Party Transaction	600,000	12.32%	(73,920)	73,920
IT	3rd Party Transaction	750,000	14.84%	(111,300)	111,300

15 Related party transactions

(a) Key management personnel compensation

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

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

2017	**Short-term benefits**	**Post-employment benefits**	**Total**
Directors	**$**	**$**	**$**
John Steven	**54,795**	**5,205**	**60,000**
Judith Smith	**36,530**	**3,470**	**40,000**
David Trude	**36,530**	**3,470**	**40,000**
Total	**127,855**	**12,145**	**140,000**

2016	Short-term benefits	Post-employment benefits	Total
Directors	$	$	$
John Steven	54,795	5,205	60,000
Judith Smith	36,530	3,470	40,000
David Trude	36,530	3,470	40,000
Total	127,855	12,145	140,000

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

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

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

(c) Loans transactions and balances

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

(d) Acorn Capital Limited

Management Agreement

The Company and the Manager have entered into the Management Agreement whereby, subject to the provisions set out below, the Company has exclusively appointed the Manager to invest and manage all of the assets of the Company (including any controlled entity of the Company) from time to time, for and on behalf of the Company, for an initial term of 5 years commencing on 1 May 2014.

15 Related party transactions (continued)

At any time after the date on which the Company's securities first commence trading on ASX, the Manager may request that the Company call and arrange to hold a meeting of the Company's shareholders to consider and, if appropriate, approve a resolution renewing the term of the Management Agreement for a further period of 5 years, with such 5 year period to commence on the date of the resolution (such resolution being the **Renewal Resolution**). If the Renewal Resolution is approved by the Company's shareholders, the term of the Management Agreement will be automatically renewed such that the Management Agreement will continue until the date that is 5 years after the date of the relevant approved Renewal Resolution. Once a Renewal Resolution has been passed the Manager is not entitled to any further renewal of the term.

After the end of the 'Term' (defined in the Management Agreement as the initial 5 year term or any renewed term), the Management Agreement will continue until terminated in accordance with the Management Agreement.

Management fees

Under the Management Agreement, the Manager receives semi-annual fees in connection with the provision of management services.

The management fee paid and payable by the Company for the reporting period ended to the Manager was $558,766 (2016: $470,778). Of this amount, all was payable to the Manager, as the Investment Manager, pursuant to the Management Agreement. At 30 June 2017, of the total 2017 fee, $289,159 (2016: $261,694) remains payable by the Company.

The performance fee payable by the Company for the reporting period ended 30 June 2017 to the Manager was $Nil (2016: $Nil).

(e) Related party equity shareholdings

The parties are ordinary equity holders and receive dividends payable to all ordinary shareholders based on their relevant holdings at the relevant record dates.

Parties related to the Company (including Acorn Capital Limited, the Manager, and its related parties), held units in the Company as follows:

Units in the company as at 30 June 2017	**No. of units held opening**	**No. of units held closing**	**Fair value of investment**	**Interest held**
	Units	**Units**	**$**	**%**
Acorn Capital Ltd	**4,500,001**	**79,836**	**73,449**	**0.16**
Australian Unity Balanced Growth Portfolio*	**1,050,000**	**1,050,000**	**966,000**	**2.15**
AU Health Ltd*	**1,633,202**	**2,183,163**	**2,008,510**	**4.48**
Directors of Acorn Capital Investment Fund Ltd	**390,000**	**1,464,100**	**1,346,972**	**3.00**
Directors / staff of Acorn Capital Limited	**248,500**	**1,254,715**	**1,154,338**	**2.57**
AU Grand United Corporate Health Limited*	**-**	**765,000**	**703,800**	**1.57**
AU Lifeplan Funeral Fund No.2*	**-**	**690,000**	**634,800**	**1.42**
AU Capital Guaranteed Funeral Bond (Taxable)*	**-**	**185,000**	**170,200**	**0.38**
AU Capital Guaranteed Funeral Bond (Non-taxable)*	**-**	**130,000**	**119,600**	**0.27**
AU Capital Secure Funeral Bond*	**-**	**87,000**	**80,040**	**0.18**
	7,821,703	**7,888,814**	**7,257,709**	**16.18**

*Products issued by related parties of Acorn Capital Limited

Units in the company as at 30 June 2016	No. of units held opening	No. of units held closing	Fair value of investment	Interest held
	Units	Units	$	%
Acorn Capital Ltd	4,500,001	4,500,001	4,050,001	9.19
Australian Unity Balanced Growth Portfolio*	1,050,000	1,050,000	945,000	2.14
AU Health Ltd*	-	1,633,202	1,469,882	3.34
AUFM MANAGED FUND NO 1*	150,000	-	-	-
AUFM MANAGED FUND NO 2*	100,000	-	-	-
AUFM MANAGED FUND NO 3*	200,000	-	-	-
Directors of Acorn Capital Investment Fund Ltd	390,000	390,000	351,000	0.80
Directors / staff of Acorn Capital Limited	208,500	248,500	223,650	0.50
Total	6,598,501	7,821,703	7,039,533	15.97

*Products issued by related parties of Acorn Capital Limited

16 Operating segment information

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

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

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

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

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

Details of these assets are disclosed in Note 9 above.

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

	2017 $'000	2016 $'000
(a) Reconciliation of profit to net cash inflow/(outflow) from operating activities		
Profit after income tax expense attributable to the owners of the Company	**2,505**	6,217
Proceeds from sale of financial instruments held at fair value through profit or loss	**41,507**	33,625
Purchase of financial instruments held at fair value through profit or loss	**(40,684)**	(31,181)
Net gains on financial instruments held at fair value through profit or loss	**(4,214)**	(8,536)
Reinvested income	**(45)**	(93)
Foreign exchange gains	**-**	(25)
Net change in receivables and other assets	**56**	119
Net change in payables and other liabilities	**316**	(92)
Increase in provision for current income tax	**1,025**	-
Net change in deferred tax assets/(deferred tax liabilities)	**(276)**	2,346
Net cash inflow/(outflow) from operating activities	**190**	2,380

(b) Components of cash and cash equivalents		
Cash as at the end of the year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash and cash equivalents	**653**	2,264
	-	-

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

For the reporting period ended	**30 June 2017 $'000**	30 June 2016 $'000
Net Assets per financial statements	**52,174**	51,470
Provision for expected costs to be incurred in realising proceeds of asset disposals (non-IFRS)	**(53)**	(38)

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

Tax adjustment on expected costs to be incurred in realising proceeds of asset disposals (non-IFRS)	**(16)**	(16)
Net tangible assets for ASX reporting	**52,105**	51,416
Number of ordinary shares on issue at reporting date	**48,757,696**	48,967,677

Net Tangible Asset Backing (NTA) per share	**As at 30 June 2017 (non-IFRS)**	
	For monthly NTA Reporting $/share	**For Financial Reporting $/share**
NTA per share before income tax ($/share)	**1.1036**	**1.1051**
NTA after income tax excluding tax on unrealised gains ($/share)	**1.0839**	**1.0853**
NTA per share after income tax ($/share)	**1.0686**	**1.0700**

Net Tangible Asset Backing (NTA) per share	As at 30 June 2016 (non-IFRS)	
	For monthly NTA Reporting $/share	For Financial Reporting $/share
NTA per share before income tax ($/share)	1.0695	1.0707
NTA after income tax excluding tax on unrealised gains ($/share)	1.0785	1.0796
NTA per share after income tax ($/share)	1.0500	1.0511

19 Dividends paid and declared

	30 June 2017	30 June 2016
Dividends Paid	**$'000**	$'000
Interim Dividend for the Financial Year	**736**	-
Final Dividend for the Financial Year	**-**	734
Special Cash Dividend for the Financial Year	**-**	147
Dividends Reinvested	**(76)**	(190)
Net Payment	**660**	691

Dividends Declared

For the year ended 30 June 2017, a final dividend 2c per share was proposed and approved on the date of this financial report. Based on the number of issued shares as at 28 August 2017 (48,463,831 shares), being the date this financial report was authorised, this represents a total dividend of $969,277 (2016: $880,835). The final value of the dividend will be based on the issued shares as at 12 September 2017, being the record date.

Franking credit balance

The amount of franking credits available as at 30 June 2017: $66,982.

20 Events occurring after the reporting period

Other than the proposed final dividend described in Note 19, no significant events have occurred since the reporting period which would impact on the financial position of the Company disclosed in the statement of financial position as at or on the results and cash flows of the Company for the reporting period ended 30 June 2017 on that date.

21 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2017 and 30 June 2016.

Directors' declaration

In the Directors' opinion

(a) The financial statements and notes set out on pages 11 to 47 are in accordance with the *Corporations Act 200*1, 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 2017 and of its performance, as represented by the results of its operations and cash flows, for the reporting period ended on that date; and

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

(c) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

John Steven
Chairman and Non-Executive Director
Melbourne
28 August 2017

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Acorn Capital Investment Fund Limited ("the Company"), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of the Company.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Existence and valuation of the Investment Portfolio	
The Company's investment portfolio as at 30 June 2017 consists of both listed and unlisted microcap companies. Whilst there is no significant judgment in the valuation of listed securities, investments ($53m) represent a key measure of the Company's performance and comprise a significant proportion of total assets (99%). The valuation of unlisted securities involves significant judgment as there are no observable market inputs for valuation. These investments are classified as "level three" securities in accordance with Australian Accounting Standard - AASB 13 *Fair Value Measurement*. The Company prepares valuations to determine the appropriateness of fair value, as explained in note 2(b)(iii) of the financial report. Due to the significant judgment involved, the Company generally provide a range of estimated values.	For listed investments, we: - Obtained and inspected the custody services report over the control environment at the Company's custodian; - Agreed all investment quantity holdings to custodians records; and - Agreed all listed investment prices to independent market pricing sources. For a sample of unlisted investments that are fair valued we performed the following: - Examined the valuations performed by the Company; and - Involved our valuation specialists to assess the valuation methodology and key assumptions used in the valuation of the underlying investments including discount rates and multiples.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information in the Company's Annual Report for the year ended 30 June 2017, but does not include the financial report and our auditor's reports thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 18 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Acorn Capital Investment Fund Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Luke Slater

Luke Slater
Partner
Melbourne
28 August 2017

Additional information for listed companies

ASX Additional information

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. This information is current as at 31 July 2017.

Substantial shareholders

The substantial shareholders as at 31 July 2017 are set out below:

Shareholders	Number of shares
AUSTRALIAN UNITY FUNDS MANAGEMENT LIMITED	5,090,163
MANAGED ACCOUNTS HOLDINGS LIMITED	2,469,347
SANDON CAPITAL PTY LTD	3,798,269

Voting rights

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

Distribution of equity security holders – at 31 July 2017

Range	**Total holders**	**Units**	**% of Issued Capital**
1 - 1,000	50	25,455	0.05
1,001 - 5,000	129	446,412	0.92
5,001 - 10,000	168	1,479,403	3.05
10,001 - 100,000	580	18,988,854	39.15
100,001 - 9,999,999,999	49	27,563,707	56.83
Total	**976**	**48,503,831**	**100.00**

Non Marketable Parcels

There were 26 holders of less than a marketable parcel of ordinary shares (based on the closing market price on 31 July 2017).

There are no securities subject to voluntary escrow.

Twenty largest shareholders – at 31 July 2017	**Ordinary shares**	**Ordinary share**
BNP PARIBAS NOMS PTY LTD <DRP>	6,682,542	13.78
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,325,539	6.86
ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C>	3,167,805	6.53
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <VFA A/C>	1,582,015	3.26
NATIONAL NOMINEES LIMITED	1,417,287	2.92
MR BARRY GEORGE FAIRLEY	1,028,313	2.12
BETA GAMMA PTY LTD <WALSH STREET SUPER FUND A/C>	1,000,000	2.06
CHARLES & CORNELIA GOODE FOUNDATION PTY LTD <CCG FOUNDATION A/C>	913,685	1.88
KING NOMINEES (VIC) PTY LTD <KING FAMILY A/C>	521,730	1.08
J P MORGAN NOMINEES AUSTRALIA LIMITED	439,423	0.91
LIC INVESTMENTS PTY LTD <LIC INVESTMENTS UNIT A/C>	430,000	0.89
WIFAM INVESTMENTS PTY LTD <WISCHER FAMILY S/F A/C>	400,000	0.82
MATIMO PTY LTD <MATIMO A/C>	394,708	0.81
THE ATHENAEUM CLUB	322,605	0.67
YALATA PTY LTD <CHAOS SETTLEMENT A/C>	314,239	0.65
AURORA FUNDS MANAGEMENT LIMITED <HHY A/C>	254,917	0.53
GLYDE STREET NOMINEES PTY LTD <J PITT SUPER FUND A/C>	250,000	0.52
LEGANO PTY LTD <BARRY GEORGE FAIRLEY S/F A/C>	250,000	0.52
XAVIER COLLEGE FOUNDATION LIMITED	250,000	0.52
REDBROOK NOMINEES PTY LTD	225,000	0.46

Securities exchange listing

The Company is listed on the Australian Securities Exchange.

ASX Code

ACQ

On market Buy-back

The Company is currently undertaking an on market buy-back. Refer to Note 12 (a).

Transactions & Brokerage

The Company had a total of 688 transactions in securities during the reporting period and has paid brokerage totalling $142,312 (inc GST).

Investments

At 30 June 2017 the Company held the following Investments

Afterpay Touch Group Limited
Amaysim Australia Limited
Apollo Tourism & Leisure Limited
Aroa Biosurgery Limited
Australis Oil & Gas Limited
AWE Limited
Axsesstoday Limited
Bigtincan Holdings Limited
Capricorn Metals Limited
Carbon Revolution Pty Limited
Cardinal Resources Limited
Chimpchange Limited
Class Limited
Clean Teq Holdings Limited
Clover Corporation Limited
Comet Ridge Limited
Compumedics Limited
Cooper Energy Limited
Doray Minerals Limited
Emefcy Group Limited
Eservglobal Limited
Factor Therapeutics Limited
Fiducian Group Limited
Finders Resources Limited
Freedom Insurance Group Limited
Galaxy Resources Limited
Gale Pacific Limited
GDI Property Group
Genea Limited
Genex Power Limited
Helloworld Travel Limited
HRL Holdings Limited
Hub24 Limited
Huon Aquaculture Group Limited
IMF Bentham Limited
Indoor Skydive Australia Group
Innovative Asset Solutions Group
Integrated Payment Technologies
Jameson Resources Limited
Kasbah Resources Limited
Kidman Resources Limited
Lifestyle Communities Limited
Lifestylepanel Holdings Limited
Livehire Limited
Maestrano Pty Limited
Melbourne IT Limited
Mitchell Services Limited
Mod Resources Limited
Moula Money Pty Limited
MSL Solutions Limited
Apollo Tourism & Leisure Limited
Aroa Biosurgery Limited
Nick Scali Limited
Nimble Money Pty Limited
Ocean Grown Abalone Pty Limited
Ooh!Media Limited
Opthea Limited
Orecorp Limited
Orocobre Limited
PAFtech Pty Limited
Peninsula Energy Limited
Perseus Mining Limited
Pluton Resources Limited
Qms Media Limited
Ramelius Resources Limited
Range International Limited
Red River Resources Limited
Redbubble Limited
Redhill Education Limited
Rex Minerals Limited
Ridley Corporation Limited
Rural Funds Group
Shaver Shop Group Limited
Shine Corporate Limited
Somnomed Limited
Stanmore Coal Limited
SUB161 Pty Limited
Sundance Energy Australia Limited
Talisman Mining Limited
Telix Pharmaceuticals Limited
The Citadel Group Limited
Variscan Mines Limited
Vimy Resources Limited
Western Areas Limited
Zipmoney Limited