

Monash Absolute Investment Company Limited

ABN 86 610 290 143

Appendix 4D

Half-year report

for the half-year ended 31 December 2017

Half-year report

This half-year ended report is for the reporting half-year from 1 July 2017 to 31 December 2017. The previous corresponding half-year ended period was 1 July 2016 to 31 December 2016.

Results for announcement to the market

			\$		\$
(Loss)/revenue from ordinary activities	Up	2,537.1%	from (336,714)	to	8,206,028
(Loss)/profit before tax for the half-year	Up	689.2%	from (1,173,154)	to	6,912,069
(Loss)/profit from ordinary activities after tax attributable to members	Up	792.1%	from (711,124)	to	4,921,818

Dividends

There were no dividends paid or proposed to be paid for the reporting period. Further information in respect of the Company's dividend policy is contained in Section 3.8 of the Company's Prospectus which was issued on 23 February 2016.

The Company has established a dividend reinvestment plan (DRP) for shareholders. The terms of this DRP are summarised in Section 10.5 of the Company Prospectus.

Net tangible assets

	31 December 2017 \$	31 December 2016 \$
Net tangible asset backing (per share) after tax	1.0157	0.9588
Net tangible asset backing (per share) before tax	1.0116	0.9381

Brief explanation of results

The gross portfolio return before all fees and expenses was approximately 17.99% for the half-year ended 31 December 2017 (2016: -1.13%).

Further information

This report is based on the Half Year Financial Report which has been subject to independent review by the auditors, Pitcher Partners. All the documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2017 Annual Financial Report.

Monash Absolute Investment Company Limited

ABN 86 610 290 143

Interim Report

for the half-year ended 31 December 2017

Monash Absolute Investment Company Limited ABN 86 610 290 143 Interim Report - for the half-year ended 31 December 2017

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Monash Absolute Investment Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

**Monash Absolute Investment Company Limited
Corporate Directory**

Directors	Paul Clitheroe AM (Non-Executive Chairman) Suvan de Soysa (Non-Executive Director) Simon Shields (Executive Director)
Secretary	Tharun Kuppanda
Investment Manager	Monash Investors Pty Limited Level 5, 139 Macquarie Street Sydney NSW 2000
Registered office	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Phone: (02) 9290 9600
Administrator	Link Fund Solutions Pty Limited Level 12, 680 George Street Sydney NSW 2000 Phone: (02) 8280 7100
Prime broker and Custodian	Morgan Stanley & Co. International plc Level 26, Chifley Tower 2 Chifley Square Sydney NSW 2000 Phone: 1800 808 576
Share registrar	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: (02) 9290 9600 Fax: (02) 9279 0664 Email: enquiries@boardroomlimited.com.au
	For enquiries relating to shareholdings, dividends and related matters, please contact the share registrar.
Auditors	Pitcher Partners Level 22 MLC Centre 19 Martin Place Sydney NSW 2000 Telephone: (02) 9221 2099
Stock exchange	Australian Securities Exchange (ASX) The home exchange is Sydney ASX code: MA1 Ordinary Shares
Website	www.monashinvestors.com

Directors' Report

The Directors present their report together with the condensed interim financial report of Monash Absolute Investment Company Limited ("the Company") for the half-year ended 31 December 2017.

Directors

The following persons held office as Directors during the half-year and up to the date of this report:

Paul Clitheroe AM (Non-Executive Chairman)
Suvan de Soysa (Non-Executive Director)
Simon Shields (Executive Director)

Principal activities

The investment strategy is to invest in a portfolio of Australian and international listed equity securities, pre-IPO securities, exchange traded and over-the-counter derivatives and cash.

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

Review of operations

The operating profit before tax was \$6,912,069 for the half-year ended 31 December 2017 (2016: loss before tax of \$1,173,154). The net result after tax was a profit of \$4,921,818 (2016: loss of \$711,124).

The net tangible asset backing before tax as at 31 December 2017 was \$1.0116 per share (2016: \$0.9381)

There were no dividends declared or proposed for the half-year ended 31 December 2017 and 31 December 2016.

Significant changes in the state of affairs

During the half-year ended 31 December 2017, 1,074,769 shares were bought back at an average buy back price of \$0.80 per share. A total of 1,599,088 shares have been cancelled as at 31 December 2017.

On 20 December 2017, the Company extended the buy back period to 2 January 2019 unless ceased earlier at the Board's discretion or by the Company buying back the maximum number of shares.

A total of 200 options were exercised this financial period. The remaining 52,464,800 options expired on 29 September 2017.

There were no other significant changes in the state of affairs of the Company during the half-year ended 31 December 2017.

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 3.

Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191*, the amounts in the Directors' Report and in the financial report have been rounded to the nearest dollar, unless otherwise specified.

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

Paul Clitheroe AM
Chairman

Sydney
15 February 2018

{The Auditor's Independence Declaration will be provided by your Auditor.}

Monash Absolute Investment Company Limited
Statement of Comprehensive Income
For the half-year ended 31 December 2017

	Half-year ended	
	31 December	31 December
	2017	2016
Notes	\$	\$
Investment income/(loss) from ordinary activities		
Net realised gains/(losses) on investments	1,695,690	(237,393)
Net unrealised gains/(losses) on investments	6,184,499	(561,680)
Dividend income	277,899	382,008
Interest income	46,538	88,077
Net foreign exchange gain/(loss)	1,402	(7,726)
	<u>8,206,028</u>	<u>(336,714)</u>
Expenses		
Management fees	(376,138)	(394,097)
Performance fees	(488,265)	-
Brokerage expense	(32,715)	(59,439)
Short dividend expense	(78,904)	(85,185)
Interest expense	-	(3,014)
Stock loan fees	(8,377)	(15,707)
Accounting fees	(50,981)	(48,172)
Share registry fees	(22,754)	(20,771)
Custody fees	(2,925)	-
Company Secretarial fees	(23,159)	(25,430)
Tax fees	(9,221)	(4,950)
Directors' fees	(45,000)	(47,500)
ASX fees	(23,185)	(19,769)
Audit fees	(21,303)	(21,153)
Marketing expense	(58,731)	(60,459)
Other expenses	(52,301)	(30,794)
	<u>(1,293,959)</u>	<u>(836,440)</u>
Profit/(loss) before income tax	6,912,069	(1,173,154)
Income tax (expense)/benefit	(1,990,251)	462,030
Profit/(loss) for the half-year after tax	4,921,818	(711,124)
Other comprehensive income for the half-year, net of tax	-	-
Total comprehensive income/(loss) for the half-year	4,921,818	(711,124)
	Cents	Cents
Earnings/(losses) per share for profit/(loss) attributable to the ordinary equity holders of the Company:		
Basic earnings/(losses) per share	9.59	(1.36)
Diluted earnings/(losses) per share	9.59	(1.36)

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

Monash Absolute Investment Company Limited
Statement of Financial Position
As at 31 December 2017

		At	
	Notes	31 December 2017	30 June 2017
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		8,772,271	13,474,238
Trade and other receivables		37,791	1,099,613
Financial assets at fair value through profit or loss	3	47,159,608	35,486,490
Other current assets		21,762	19,439
Total current assets		55,991,432	50,079,780
Non-current assets			
Deferred tax assets		1,469,467	2,202,836
Total non-current assets		1,469,467	2,202,836
Total assets		57,460,899	52,282,616
LIABILITIES			
Current liabilities			
Trade and other payables		704,342	378,039
Financial liabilities at fair value through profit or loss	3	3,784,616	4,253,584
Total current liabilities		4,488,958	4,631,623
Non-current liabilities			
Deferred tax liabilities		1,260,966	4,084
Total non-current liabilities		1,260,966	4,084
Total liabilities		5,749,924	4,635,707
Net assets		51,710,975	47,646,909
EQUITY			
Issued capital	6	49,806,532	50,664,284
Profits reserve		6,157,844	1,236,026
Accumulated losses		(4,253,401)	(4,253,401)
Total equity		51,710,975	47,646,909

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

Monash Absolute Investment Company Limited
Statement of Changes in Equity
For the half-year ended 31 December 2017

Notes	Issued capital \$	Profits reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2016	51,075,953	1,236,026	(1,254,604)	51,057,375
Loss for the half-year after tax	-	-	(711,124)	(711,124)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(711,124)	(711,124)
Balance at 31 December 2016	51,075,953	1,236,026	(1,965,728)	50,346,251
Balance at 1 July 2017	50,664,284	1,236,026	(4,253,401)	47,646,909
Profit for the half-year after tax	-	-	4,921,818	4,921,818
Other comprehensive income for the half-year, after tax	-	-	-	-
Total comprehensive income for the half-year	-	-	4,921,818	4,921,818
Transactions with owners in their capacity as owners:				
Shares issued on options exercised	200	-	-	200
Share buy back	(857,952)	-	-	(857,952)
Transfer to profits reserve	-	4,921,818	(4,921,818)	-
	(857,752)	4,921,818	(4,921,818)	(857,752)
Balance at 31 December 2017	49,806,532	6,157,844	(4,253,401)	51,710,975

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

Monash Absolute Investment Company Limited
Statement of Cash Flows
For the half-year ended 31 December 2017

	Half-year ended	
	31 December	31 December
	2017	2016
	\$	\$
Cash flows from operating activities		
Proceeds from sale of financial liabilities held at fair value through profit or loss	4,185,130	6,092,586
Payments for settlement of financial liabilities held at fair value through profit or loss	(4,879,630)	(9,839,090)
Proceeds from sale of financial assets held at fair value through profit or loss	12,658,983	25,181,126
Purchase of financial assets held at fair value through profit or loss	(15,262,866)	(34,482,978)
Dividends paid on short stocks	(84,158)	(85,185)
Interest paid	-	(3,013)
Dividends received	202,712	199,184
Brokerage expenses	(32,462)	(55,348)
Interest received	48,832	106,002
Investment management fees paid	(366,550)	(399,752)
Payments for other expenses	(315,608)	(193,343)
Net cash outflow from operating activities	(3,845,617)	(13,479,811)
Cash flows from financing activities		
Payments for shares bought back	(857,952)	-
Shares issued on options exercised	200	-
Net cash outflow from financing activities	(857,752)	-
Net decrease in cash and cash equivalents	(4,703,369)	(13,479,811)
Cash and cash equivalents at the beginning of the half-year	13,474,238	20,325,794
Effects of exchange rate changes on cash and cash equivalents	1,402	(7,726)
Cash and cash equivalents at the end of half-year	8,772,271	6,838,257

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

1 General information

Monash Absolute Investment Company Limited (the "Company") is a listed public company domiciled in Australia. The address of Monash Absolute Investment Company Limited's registered office is Level 12, 225 George Street, Sydney, NSW 2000. The Company's investment strategy is to invest in a portfolio of Australian and international listed equity securities, pre-IPO securities, exchange traded and over-the counter derivatives and cash.

The condensed interim financial statements were authorised for issue by the Board of Directors on 15 February 2018.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these interim financial statements are set out below. The interim financial statements are for the entity Monash Absolute Investment Company Limited.

(a) Basis of preparation

These condensed interim financial statements for the half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

The Company is a for-profit entity for the purpose of preparing the interim financial statements.

These interim financial statements do not include all the notes of the type normally included in an annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Monash Absolute Investment Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(i) Adoption of new and revised accounting standards

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current half-year reporting period.

(b) Rounding of amounts

In accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191*, the amounts in the Directors' Report and in the financial report have been rounded to the nearest dollar, unless otherwise specified.

3 Fair value measurements

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

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

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

Fair value hierarchy

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

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

(i) Recognised fair value measurements

The following table presents the Company's financial assets measured and recognised at fair value at 31 December 2017 and 30 June 2017 on a recurring basis.

At 31 December 2017	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Financial assets at FVTPL				
Listed options	26,698	-	-	26,698
Listed equity securities*	44,908,631	-	-	44,908,631
Unlisted equity securities	-	1,629,408	-	1,629,408
International listed equity securities	146,364	-	-	146,364
International unlisted equity securities	-	448,507	-	448,507
Total financial assets	45,081,693	2,077,915	-	47,159,608
Financial liabilities				
Financial liabilities at FVTPL				
Listed equity securities sold short	(3,784,616)	-	-	(3,784,616)
Total financial liabilities	(3,784,616)	-	-	(3,784,616)

* Listed equity securities at 31 December 2017 include listed investments held in escrow with a total value of \$815,920.

3 Fair value measurements (continued)

Fair value hierarchy (continued)

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

At 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Listed options	31,872	-	-	31,872
Listed equity securities	33,305,298	-	-	33,305,298
Unlisted equity securities	-	1,691,983	-	1,691,983
International unlisted equity securities	-	457,337	-	457,337
Total financial assets	33,337,170	2,149,320	-	35,486,490
Financial liabilities				
Listed equity securities sold short	(4,253,584)	-	-	(4,253,584)
Total financial liabilities	(4,253,584)	-	-	(4,253,584)

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the last sale prices at the end of the reporting period, excluding transaction costs.

The investments included in Level 2 of the hierarchy include amounts in relation to Pre-Initial Public Offerings and Placements in which the Company has subscribed to. These investments are not listed on any securities exchange as at half-year end and therefore represent investments not in an active market. In valuing these unlisted investments, included in Level 2 of the hierarchy, the fair value has been determined using the valuation technique of the subscription price and the amount of securities subscribed for by the Company under the relevant offers without any deduction for estimated future selling costs.

During the half-year, investments amounting to \$224,000 were transferred between levels 1 and 2 relating to the listing of the investee company. There were no transfers in or out of level 3.

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

(ii) *Disclosed fair values*

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

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

4 Segment information

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

5 Contingencies and commitments

The Company had no contingent assets, liabilities or commitments as at 31 December 2017 (30 June 2017: nil).

Monash Absolute Investment Company Limited
Notes to the Financial Statements
For the half-year ended 31 December 2017
(continued)

6 Issued capital

(a) Share capital

	31 December 2017	30 June 2017	31 December 2017	30 June 2017
	Shares	Shares	\$	\$
Ordinary shares	50,866,113	51,940,682	49,806,532	50,664,284

(b) Movements in ordinary share capital

Details		Number of shares	\$
Opening balance 1 July 2017		51,940,682	50,664,284
Shares issued on options exercised	6(d)	200	200
Share buy back		(1,074,769)	(857,952)
Closing balance 31 December 2017		50,866,113	49,806,532
Opening balance 1 July 2016		52,465,001	51,075,953
Share buy back		(524,319)	(411,669)
Closing balance 30 June 2017		51,940,682	50,664,284

(c) Ordinary shares

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

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

(d) Options

On 12 April 2016, as part of the initial public offering the Company issued 52,465,000 options to acquire ordinary shares in the Company at an exercise price of \$1.00 on or before 29 September 2017. A total of 200 options was exercised during the financial period. The remaining 52,464,800 options expired on 29 September 2017.

(e) Dividend reinvestment plan

The Company has established a dividend reinvestment plan (DRP) for shareholders. The terms of this DRP are summarised in Section 10.5 of the Company Prospectus.

(f) Share buy back

On 22 March 2017, the shareholders of the Company approved a resolution to undertake a buy back. During the half-year ended 31 December 2017, 1,074,769 shares were bought back during the financial period at an average buy back price of \$0.80 per share (30 June 2017: 524,319 shares at an average buy back price of \$0.79 cents per share). A total of 1,599,088 shares have been cancelled as at 31 December 2017.

On 20 December 2017, the Company extended the buy back period to 2 January 2019 unless ceased earlier at the Board's discretion or by the Company buying back the maximum number of shares.

7 Dividends

No dividends were declared or proposed during the half-year ended 31 December 2017 and 31 December 2016.

8 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

Monash Absolute Investment Company Limited
Directors' Declaration
For the half-year ended 31 December 2017

In the Directors' opinion:

- (a) the interim financial statements and notes set out on pages 4 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, 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 31 December 2017 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Paul Clitheroe AM
Chairman

Sydney
15 February 2018

**Monash Absolute Investment Company Limited
Independent Auditor's Review Report to the Shareholders
For the half-year ended 31 December 2017**

**Independent Auditor's Review Report to the Shareholders of
Monash Absolute Investment Company Limited**

{The Auditor's report will be provided by your Auditor.}