

Aberdeen Leaders Limited

ACN 003 236 173

**RESULTS ANNOUNCEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

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The Appendix 4D Accounts have been subject to review by the Company's external auditor.



Barry Sechos
Company Secretary

21 February 2018

Aberdeen Leaders Limited

Appendix 4D

Preliminary Half-year Report

Half-year ended 31 December 2017

This half-year ended report is for the reporting period 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

				\$'000
Revenue from ordinary activities	Up	12.65%	to	2,181
Profit after tax attributable to ordinary equity holders	Up	47.67%	to	1,202
Profit before tax attributable to ordinary equity holders	Up	90.73%	to	1,049

Dividends

	Dividend Rate	Total Amount \$'000	Record Date	Date of Payment	Percentage Franked
Ordinary	1.00cps	594	08/01/2018	02/02/2018	100%
Ordinary	1.00cps	594	09/10/2017	27/10/2017	100%

Net tangible assets

	31 December 2017	31 December 2016
NTA (per share) after estimated tax on unrealised income & gains/losses (per share)	1.27	1.19
NTA (per share) before estimated tax on unrealised income & gains/losses	1.35	1.25
NTA (per share) before estimated tax on unrealised income & gains/losses and before all deferred taxes	1.32	1.21

Explanation of results

(1) The Company's net profit after tax for the half-year is \$1,202,000 (2016: net profit \$814,000), an increase of 47.67% compared to the equivalent prior period.

For the 6 months to 31 December 2017, \$878,000 in net gains were realised compared to \$254,000 in net gains in the same period last year.

(2) Aberdeen Leaders Limited is a listed investment company. "Revenue" and "Profit" are incidental results of dividends and other income received, and ignore gains (or losses) both from top-slicing the portfolio, and in the (unrealised) value of the underlying investments. The Company's financial health is measured by its net tangible assets, not accounting profits.

For any queries please contact:

Barry Sechos
Company Secretary

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Aberdeen Leaders Limited

ACN 003 236 173

CHAIRMAN'S STATEMENT

Dear Shareholder

Your Board is pleased to present to you Aberdeen Leader's Financial Report for the half year ended 31 December 2017. This Report comprises the results for the Company under the management of Aberdeen Asset Management Limited, whose management agreement with the Company came to an end on 31 January 2018.

As shareholders are aware, your Board has appointed David Sokulsky as its Chief Executive Officer and Chief Investment Officer, and David, together with his team, are now responsible for the management of the Company's investment portfolio.

For the half year ended 31 December 2017, profit after tax was \$1,202,000, an increase on 2017. This reflects higher dividend income received compared to the same period last year and a reduction in the costs incurred in operating the Company's investment activities. Our overweight exposure to the utilities sector and stock selection in telecommunications sector detracted from returns while stock selection in the listed property sector together with an underweight exposure to the finance sector had a positive impact on returns over the six months.

The low benchmark interest rates in Australia have continued to underpin the equity and property markets. While the US Federal Reserve has continued to ratchet up rates and has recommenced its sales in the bond market, the low wage growth and inflation rates in Australia have ensured that official interest rates remain on hold. This has been helped by some of the heat coming out of the property market as a result of tighter loan conditions being enforced by the main mortgage banks and the dramatic slowdown in apartment purchases by foreign buyers. Tighter rules on capital outflows from China have been an important aspect of this change. As a result property prices in Sydney and Melbourne were easing towards the end of the year but there were signs of improvement in Perth which had been under pressure for some time.

Elsewhere in the economy business sentiment as reported by the NAB survey has been improving, driven by construction and infrastructure projects, but consumer sentiment has been dampened by low wage growth. This has put the retail sector under stress and led to it being one of the poorest performing sectors of the stock market during the period. While there was an improvement in sales of consumer staples, this was not seen in consumer discretionary department store sales, impacted by both low wage growth and the rise of on-line retailers; Amazon commenced sales in the local market, albeit at a modest pace, during December, forcing bricks and mortar competitors to slash prices in the key selling period prior to Christmas.

Commodity prices ended the year on a positive note having drifted through the first 6 months. Iron ore slipped from \$79.75 tonne at 30 December 2016 to \$56.01 as at 30 June 2017, recovering to \$71.28 by 29 December. This was primarily driven by a more optimistic view of growth in China. Base metals also took part in this rally. Against this background the AUD was stronger than the authorities would have hoped, rising from US\$ 0.7688 at 30 June 2017 to US\$ 0.7805 by 31 December 2017, having commenced the year at US\$ 0.7202.

The other aspect of the Australian economy through the year was a degree of stabilisation of non-commodity exports to China and in particular, the growth of wine sales into that market. This was the first year to see a dramatic increase and augured well for the future growth of this industry.

Following a lacklustre first half to the year, the Australian share market posted a positive end to the six months, with the ASX/S&P 200 Accumulation Index rising by 8.4%. The Company's gross assets increased by 6.9% over the same period. As at 31 December the NTA per share, pre-tax, was \$1.35, an 8 cent rise, up 6.9%, from the 30 June 2017 figure. Net of deferred tax on unrealised gains, the NTA was \$1.27 per share. The share price closed at \$1.27, representing a return of 8.37%*.

*After adding back dividends paid during the period

As at 31 December 2017 the share price stood at a discount to pre-tax NTA of 6%.

Interim Dividend

A fully franked dividend of 1.00 cent per share was declared on 20 December 2017, payable on 2 February 2018. The Board will continue to monitor the quantum of dividends received from the Portfolio's investments and bear this in mind (together with other factors such as realised gains from the Portfolio) when determining the overall level of dividends paid in the future.

Dividend Reinvestment Plan

I would like to remind investors of the Company's Dividend Reinvestment Plan (DRP) which allows eligible shareholders to have their dividends automatically reinvested in the Company. If you would like to participate in the DRP or would like more information please phone 02 9357 0788 and we will mail you a DRP booklet containing the relevant information.

Brian Sherman AM
Chairman

February 2018

Aberdeen Leaders Limited

ACN 003 236 173

MANAGER'S REVIEW SIX MONTHS ENDED 31 DECEMBER 2017

The S&P/ASX 200 Accumulation Index increased by 8.4% in the six months from end June 2017. The portfolio return was 6.9% over the period. However, over the year to December the portfolio return was 11.76% versus the ASX 200 Accumulation Index of 11.80%. During the half to December 2017 the biggest contributors to the portfolio were materials, listed property and energy. The biggest detractors were Telecommunications Services and Information Technology.

During the six months no new investments were made to the portfolio. Exposure to Treasury Wine Estates, ANZ, Medibank, Westpac, Adelaide Brighton and Ausnet Services was increased. There was a reduction in the portfolio's holdings of AMP, Caltex, following revelations that some franchisees were underpaying staff, Commonwealth Bank in the light of the various inquiries into the conduct of the group, IOOF and Resmed following outperformance and there was a reduction in Healthscope on continuing uncertain prospects. The Company's holding in Amcor was reduced following a meeting with management which gave rise to concerns as to how ambitious corporate results would be achieved. There was also a reduction in IPL on concerns that the growth phase for the company was winding down and in S32 following strong performance in that stock.

The table below identifies the major contributors and detractors to performance relative to the benchmark in the six months to 31 December 2017:

Key contributors and detractors – six months to 31 December 2017

Top 5 Contributors		
Stock	Relative weight (%)	Contribution (%)
Rio Tinto	3.6	0.47
Westfield Corp	3.2	0.35
CommBank	-3.7	0.29
NAB (non-hold)	-5.0	0.27
QBE Insurance (non-hold)	-0.9	0.17
Top 5 Detractors		
Stock	Relative weight (%)	Contribution (%)
Healthscope	1.7	-0.49
Perpetual	2.0	-0.37
AGL Energy	2.7	-0.35
Santos (non-hold)	-0.6	-0.25
Amcor	-1.1	-0.24

As can be seen from the above the resources stock Rio Tinto continued to benefit the portfolio over the six months. Having an underweight exposure to Commonwealth Bank and no exposure to NAB and QBE also benefited the portfolio during the period. Healthscope, although reduced during the period, was again the biggest detractor as the company failed to achieve growth targets following the appointment of the new CEO. Westfield was a late contributor to performance as the company was subject to a takeover bid from the Dutch group, Unibail-Rodamco. This lifted the listed

property sector return. It will be important to watch the February results to see the extent of the resilience in stocks through the year-end period.

Portfolio repositioning

ALR's new management team, who took over portfolio management responsibilities on 1 January 2018, has undertaken a restructuring of the portfolio over the past two months which should position the portfolio well going forward. While many of the inherited positions have been maintained, there has been a reweighting of the portfolio holdings and removal of some companies that have already experienced the bulk of their expected performance.

There was a sell down of the majority of these positions in early February, thinking that markets had become overly exuberant via the incredible rally that global equity markets had in January. This reduction in exposure helped to avoid what would have been more significant losses given the market volatility that occurred in early February. Moving forward, the portfolio will have more of a top-down thematic focus while not neglecting rigorous bottom-up fundamental analysis. A keen focus on income will, however, be maintained. The macro themes which are currently being deployed in the portfolio are:

- Global economic expansion
- Changing demographics
- Strong commodity cashflows
- Increase Capex spending and corporate activity
- Businesses adopting technology
- Infrastructure and logistics.

The new management team is not rushing to redeploy the capital and are patiently putting it to work when opportunities present themselves in alignment with these themes. The downturn in the market that occurred in the first half of February 2018 has presented the Company with what is considered to be an excellent opportunity to invest in companies with strong earnings growth, high dividend yields and attractive valuations (many are down circa 5-10% year-to-date, as at mid-February 2018). With regard to individual stock selections, there are four criteria that companies must satisfy:

- Attractive valuations
- Sustainable earnings growth
- Strong corporate fundamentals, and
- Consistency with strong macro themes.

Going forward, it is believed the banking sector will continue to face headwinds and while holding positions in the majors for their attractive dividend yields, there is preference for the prospects of non-major financials such as Macquarie Group and Janus Henderson. NAB has been added to the portfolio, which has been the best performer of the major banks thus far this year, and there has been a reduction in the portfolio's exposure to CBA, Westpac and ANZ. Commodity related companies are expected to continue to perform well and remain the largest overweight positions in the portfolio. Underlying commodity prices appear well supported and companies selected for the portfolio continue to generate excellent cashflows. They are however vulnerable to global volatility and this is something that needs to be monitored closely. The portfolio continues to hold large relative positions in BHP Billiton and Rio Tinto and additions have been made to Origin Energy in favour of Woodside Petroleum and AGL Energy.

Outside of resources and financials, the management team does not favour any one sector, but note that listed real estate companies appear very attractively priced given they have sold off on concerns over slack consumer spending, the threat of Amazon and a potentially higher interest rate environment. Technology and Healthcare are expected to remain major growth sectors, but current market valuations are high and there is a preference to build positions at more attractive prices.

Aberdeen Leaders Limited

February 2018

Portfolio as at 31 December 2017

PHYSICAL	Quantity	MKT VALUE	Portfolio weightings
CONSUMER STAPLES			
Coca Cola Amatil	118,000	1,003,000	0.95%
Treasury Wine Estate	157,700	2,513,738	2.38%
Woolworths Group Limited	91,400	2,492,478	2.36%
TOTAL CONSUMER STAPLES		6,009,216	5.69%
ENERGY			
Caltex Australia Limited	63,900	2,173,239	2.06%
Woodside Petroleum	158,800	5,240,400	4.96%
TOTAL ENERGY		7,413,639	7.02%
HEALTHCARE			
Cochlear Limited	21,180	3,621,780	3.43%
CSL Limited	45,770	6,432,516	6.09%
Healthscope Limited	992,000	2,063,360	1.95%
Resmed Inc	289,300	3,179,407	3.01%
TOTAL HEALTHCARE		15,297,063	14.48%
INDUSTRIALS			
Brambles Limited	173,600	1,741,208	1.65%
South32 Limited	350,500	1,216,235	1.15%
TOTAL INDUSTRIALS		2,957,443	2.80%
INFORMATION TECHNOLOGY			
IRESS Limited	124,100	1,423,427	1.35%
TOTAL INFORMATION TECHNOLOGY		1,423,427	1.35%
MATERIALS			
Adelaide Brighton Limited	460,400	3,001,808	2.84%
BHP Billiton Limited	217,800	6,435,990	6.09%
Incitec Pivot Limited	552,500	2,132,650	2.02%
Rio Tinto Limited	80,900	6,124,130	5.80%
TOTAL MATERIALS		17,694,578	16.75%
PROPERTY TRUSTS			
Scentre Group	932,900	3,908,851	3.70%
Westfield Corp	500,500	4,684,680	4.43%
TOTAL PROPERTY TRUSTS		8,593,531	8.13%
TELECOM SERVICES			
Spark New Zealand	835,600	2,740,768	2.59%
Telstra Corporation Limited	498,400	1,809,192	1.71%
TOTAL TELECOM SERVICES		4,549,960	4.31%
UTILITIES			
AGL Energy Limited	166,600	4,051,712	3.83%
Ausnet Services	2,048,400	3,666,636	3.47%
TOTAL UTILITIES		7,718,348	7.31%
FINANCIALS EX PROPERTY TRUSTS			
AMP Limited	316,100	1,634,237	1.55%
ANZ Banking Group	191,200	5,487,440	5.19%
ASX Limited	111,000	6,082,800	5.76%
Commonwealth Bank of Australia	68,650	5,509,849	5.21%
IOOF Holdings Limited	242,000	2,591,820	2.45%
Medibank Private Limited	759,200	2,482,584	2.35%
Perpetual Limited	47,600	2,297,176	2.17%
Westpac Banking Corp	209,000	6,541,700	6.19%
TOTAL FINANCIALS EX PROPERTY TRUSTS		32,627,606	30.88%
Equity Total		104,284,811	98.70%
Net Liquidity including dtl		1,372,426	1.30%
Total Assets excluding debt		105,657,237	100.00%
Loan facility		(30,000,000)	-28.39%
Total Equity		75,657,237	71.61%

Aberdeen Leaders Limited

ABN 25 003 236 173

Interim Report for the half-year ended 31 December 2017

Directors' Report

Your Directors present their report together with the financial report of Aberdeen Leaders Limited ("the Company") for the half-year ended 31 December 2017.

Directors

The following persons held office as Directors of Aberdeen Leaders Limited during the financial period and up to the date of this report:

Brian Michael Sherman AM (BComm, CTA SIA (Aff))
Neville John Miles (BComm (Hons), CA (resigned 31 December 2017)
David Lindsay Elsum AM (BEE (Hons), BComm, MSc, FCPA) (resigned 31 July 2017)
Augustine Mark Daniels (BSc Econ) (resigned 11 October 2017)
Barry Sechos (BComm, LLB)
John Martin (BComm, LLB (Hons) (appointed 31 July 2017)

Review of operations

The Company's net profit after tax for the half-year is \$1,202,000 (2016: net profit \$814,000), an increase of 47.67% compared to the equivalent prior period.

For the 6 months to 31 December 2017, \$878,000 in net gains were realised compared to \$254,000 in net gains in the same period last year. These gains and losses are reflected in Other Comprehensive Income.

Earnings per share amounted to 2.02 cents per share for the half-year (2016: 1.35 cents per share).

Net tangible assets before tax on unrealised gains have increased to \$1.35 per share at 31 December 2017 (as compared to \$1.25 for the half-year 31 December 2016), while net tangible assets after tax on unrealised gains increased to \$1.27 per share (as compared to \$1.19 for the half-year 31 December 2016).

For the six months ended 31 December 2017, the Company declared dividends totalling 2 cents per share fully franked (2016: 2 cents).

Significant changes in the state of affairs

On 14 August 2017, the merger between Aberdeen Asset Management Plc, previously the ultimate holding company of the Company's Manager, Aberdeen Asset Management Limited, and Standard Life Plc was completed in the United Kingdom. The Manager's ultimate holding company is henceforward Standard Life Aberdeen Plc.

On 11 October 2017, a resolution was passed to internalise the management of the Company and, as a result, end its agreement with Aberdeen Asset Management Limited on 31 January 2018. Following the resolution, Augustine Mark Daniels resigned as Director of Aberdeen Leaders Limited.

On 25 October 2017, David Sokulsky was appointed Chief Executive Officer/Chief Investment Officer of the Company from 2 January 2018 onwards.

On 3 November 2017, Barry Sechos was appointed joint company secretary of Aberdeen Leaders Limited.

On 31 December 2017, Neville Miles resigned as Director of Aberdeen Leaders Limited.

Events occurring after the reporting period

On 24 January 2018, the Board of Directors announced their intention to rename the Company from 'Aberdeen Leaders Limited' to 'Concentrated Leaders Fund Limited'. To effect the name change, the Board of Directors will seek approval from the shareholders of the Company at an Extraordinary General Meeting.

Effective 31 January 2018, Gil Orski resigned as the Company Secretary of the Company.

On 31 January 2018, the Company's Investment Management Agreement with Aberdeen Asset Management came to an end following the Board of Directors' resolution to internalise the management of the Company's portfolio.

Other than the matters noted above, no other matter or circumstance has occurred subsequent to the 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.

Rounding of amounts

The Company is of a 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 Directors' Report. Amounts in the Directors' Report have been rounded to the nearest thousand dollars in accordance with this ASIC Corporations Instrument, unless otherwise indicated.

This report is made in accordance with a resolution of Directors made pursuant to Section 298(2) of the Corporations Act 2001.

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.

This report is made in accordance with a resolution of Directors under section 306(3) of the *Corporations Act 2001*.



Barry Sechos
Director

Sydney
21 February 2018

The Board of Directors
Aberdeen Leaders Limited
2 Paddington Street
Paddington NSW 2021

21 February 2018

Dear Board Members,

Aberdeen Leaders Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Aberdeen Leaders Limited.

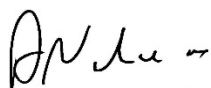
As lead audit partner for the review of the financial statements of Aberdeen Leaders Limited for the half year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



Alfred Nehama
Partner
Chartered Accountants

Aberdeen Leaders Limited
Statement of Comprehensive Income
For the half-year ended 31 December 2017

		Half-year ended 31 December 2017 \$'000	31 December 2016 \$'000
	Notes		
Investment income from ordinary activities	4	<u>2,181</u>	1,936
Expenses			
Management fees	11(b)	(399)	(389)
Share registry fees		(37)	(44)
Custody fees		(47)	(44)
Directors' fees		(104)	(104)
Directors' liability insurance fees		(25)	(22)
ASX fees		(47)	(45)
Audit fees		(46)	(38)
Other expenses		(17)	(33)
Interest expense		(410)	(667)
		<u>(1,132)</u>	(1,386)
Profit before income tax		1,049	550
Income tax benefit		<u>153</u>	264
Net profit for the period		<u>1,202</u>	814
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges		-	185
Income tax relating to changes in fair value of cash flow hedges		-	(56)
<i>Items that will not be reclassified to profit or loss</i>			
Net unrealised gains/(losses) on financial assets taken to equity		3,981	5,883
Income tax (expense)/benefit relating to unrealised gains on financial assets taken to equity		(1,194)	(1,765)
Net realised gains on financial assets taken to equity		878	254
Income tax expense relating to realised gains on financial assets taken to equity		(264)	(76)
Other comprehensive income for the period, net of tax		<u>3,401</u>	4,425
Total comprehensive income for the period		<u>4,603</u>	5,239
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	8	2.02	1.35
Diluted earnings per share	8	2.02	1.35

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

Aberdeen Leaders Limited
Statement of Financial Position
As at 31 December 2017

		At 31 December 2017 \$'000	30 June 2017 \$'000
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents		5,250	5,276
Trade and other receivables		35	342
Other current assets		17	42
Total current assets		<u>5,302</u>	<u>5,660</u>
Non-current assets			
Financial assets at fair value through other comprehensive income	2	104,285	99,668
Deferred tax assets		1,655	1,782
Total non-current assets		<u>105,940</u>	<u>101,450</u>
Total assets		<u>111,242</u>	<u>107,110</u>
LIABILITIES			
Current liabilities			
Trade and other payables		210	189
Dividends payable		594	1,084
Borrowings	5	30,000	30,000
Total current liabilities		<u>30,804</u>	<u>31,273</u>
Non-current liabilities			
Deferred tax liabilities		4,781	3,594
Total non-current liabilities		<u>4,781</u>	<u>3,594</u>
Total liabilities		<u>35,585</u>	<u>34,867</u>
Net assets		<u>75,657</u>	<u>72,243</u>
EQUITY			
Issued capital	6	56,664	56,665
Reserves		11,082	8,295
Retained earnings		7,911	7,283
Total equity		<u>75,657</u>	<u>72,243</u>

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

Aberdeen Leaders Limited
Statement of Changes in Equity
For the half-year ended 31 December 2017

	Notes	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2016		58,012	4,225	6,018	68,255
Net profit for the period		-	-	814	814
Other comprehensive income for the period					
Changes in fair value of derivative financial instruments		-	185	-	185
Net unrealised gains on financial assets taken to equity		-	5,883	-	5,883
Net realised gains on financial assets taken to equity		-	254	-	254
Net income tax relating to the above items		-	(1,897)	-	(1,897)
Total other comprehensive income for the period, net of tax		-	4,425	-	4,425
Total comprehensive income for the period attributable to the ordinary equity holders of the Company		-	4,425	814	5,239
Transactions with owners in their capacity as owners:					
Net realised gains transferred to retained earnings (net of income tax)		-	(178)	178	-
Cancellation of ordinary shares	6	(672)	-	-	(672)
Dividends provided for or paid	7	-	-	(1,202)	(1,202)
		(672)	(178)	(1,024)	(1,874)
Balance at 31 December 2016		57,340	8,472	5,808	71,620
Balance at 1 July 2017		56,665	8,295	7,283	72,243
Net profit for the period		-	-	1,202	1,202
Other comprehensive income for the period					
Net unrealised gains on financial assets taken to equity		-	3,981	-	3,981
Net realised gains on financial assets taken to equity		-	878	-	878
Net income tax relating to the above items		-	(1,458)	-	(1,458)
Total other comprehensive income for the period, net of tax		-	3,401	-	3,401
Total comprehensive income for the period attributable to the ordinary equity holders of the Company		-	3,401	1,202	4,603
Transactions with owners in their capacity as owners:					
Net realised gains transferred to retained earnings (net of income tax)		-	(614)	614	-
Dividends provided for or paid	7	-	-	(1,188)	(1,188)
Cancellation of ordinary shares	6	(1)	-	-	(1)
		(1)	(614)	(574)	(1,189)
Balance at 31 December 2017		56,664	11,082	7,911	75,657

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

Aberdeen Leaders Limited
Statement of Cash Flows
For the half-year ended 31 December 2017

	Half-year ended	
	31 December	31 December
	2017	2016
Notes	\$'000	\$'000
Cash flows from operating activities		
Dividends and trust distributions received	2,454	2,221
Interest received	34	26
Management fees paid	(394)	(386)
Performance fees paid	-	(105)
Finance costs paid	(404)	(670)
Payments for other expenses	(291)	(298)
Net cash inflow from operating activities	1,399	788
Cash flows from investing activities		
Payments for financial assets at fair value through other comprehensive income	(15,687)	(9,387)
Proceeds from sale of financial assets at fair value through other comprehensive income	15,941	10,462
Net cash inflow from investing activities	254	1,075
Cash flows from financing activities		
Payments for shares bought back	(1)	(672)
Dividends paid	(1,678)	(1,633)
Net cash outflow from financing activities	(1,679)	(2,305)
Net decrease in cash and cash equivalents	(26)	(442)
Cash and cash equivalents at the beginning of the period	5,276	2,720
Cash and cash equivalents at the end of the period	5,250	2,278

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

1 Summary of significant accounting policies

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

(a) Basis of preparation of half-year report

These interim financial statements for the half-year reporting period ended 31 December 2017 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Aberdeen Leaders Limited 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 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 Aberdeen Leaders 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 accrual basis, and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Except as described below, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(i) New and amended standards adopted by the Company

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that have a material impact on the amounts recognised and disclosed within the financial statements of the Company.

(ii) Impact of standards issued but not yet applied by the Company

The Company is currently evaluating the impact these accounting standards may have on its financial statements and has thus not early adopted any of the new standards listed below:

AASB 15 - Revenue from Contracts with Customers (effective for annual periods commencing from 1 January 2018)

AASB 15 was issued by the Australian Accounting Standards Board in December 2014. It specifies how an entity will recognise revenue and require entities to provide users of financial statements with more information and relevant disclosures. The standard requires the application of a single principles based five-step model approach to recognising revenue. The standard is available for early adoption. The Company is yet to undertake a detailed assessment on the impact of AASB 15. However, based on the Company's preliminary assessment, the standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

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

(b) Investments and other financial assets

Classification

(i) Financial assets at fair value through other comprehensive income

The Company has designated long-term investments as "fair value through other comprehensive income". All gains and losses on long-term investments and tax thereon are presented in other comprehensive income as part of the Statement of Comprehensive Income.

1 Summary of significant accounting policies (continued)

(b) Investments and other financial assets (continued)

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures financial assets and liabilities at fair value.

Transactions costs of financial assets and liabilities carried at fair value through other comprehensive income that are directly attributable to the acquisition of financial assets/liabilities are added to or deducted from the fair value of such assets/liabilities, as appropriate, on initial recognition.

Subsequent changes in fair values are recognised through the investment portfolio revaluation reserve after adjusting a provision for the potential deferred tax liability/asset as these investments are long-term holding of equity investments.

When an investment is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the investment portfolio revaluation reserve to retained earnings.

Determination of Fair Value

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

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

(c) Income tax

Income tax expense/benefit comprises current and deferred tax. Income tax expense/benefit is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is based upon temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1 Summary of significant accounting policies (continued)

(d) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates derivatives as:

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Company documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(e) Comparative amounts

Certain amounts included in the prior year comparatives have been re-classified to confirm to the current half-year's presentation. The reclassification has not affected the recognition, measurement or valuation of any items in these financial statements.

2 Fair value measurements

This note provides an update on the judgements and estimates made by the Company in determining the fair values of the financial instruments since the last annual financial report.

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

- Financial assets at fair value through other comprehensive income (FVTOCI)

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period (30 June 2017: nil).

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

- (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 and liabilities measured and recognised at fair value at 31 December 2017 and 30 June 2017 on a recurring basis.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2017				
Financial assets				
Financial assets at FVTOCI				
Equity securities	104,285	-	-	104,285
Total financial assets	104,285	-	-	104,285
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2017				
Financial assets				
Financial assets at FVTOCI				
Equity securities	99,668	-	-	99,668
Total financial assets	99,668	-	-	99,668

There were no transfers between levels for recurring fair value measurements during the period (30 June 2017: nil).

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 assumed to approximate their fair values due to their short-term nature.

The fair value of borrowings approximates the carrying amount.

3 Segment information

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

4 Investment income from ordinary activities

	Half-year ended	
	31 December 2017	31 December 2016
	\$'000	\$'000
Dividends on long term investments held at the end of the period	2,068	1,854
Dividends on long term investments sold during the period	79	57
Interest	34	25
	2,181	1,936

5 Borrowings

	At			At		
	31 December 2017			30 June 2017		
	Current	Non-current	Total	Current	Non-current	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Secured						
Bank loans	30,000	-	30,000	30,000	-	30,000
Total secured borrowings	30,000	-	30,000	30,000	-	30,000

The Company has entered into a \$30 million revolving cash advance facility with Westpac Banking Corporation ('Borrower'). This debt facility is currently rolled over for a 12 month period, expiring on 10 April 2018.

The facility is secured by a fixed and floating charge over the Company's assets. The carrying amount of assets pledged as security at 31 December 2017 is \$109,587,000 (30 June 2017: \$105,328,000). The facility is drawn to the extent of \$30 million on 31 December 2017 (30 June 2017: \$30 million). As at 31 December 2017, the facility incurs an interest rate of 2.73%, inclusive of the margin of 1.00% (30 June 2017: 2.67%, inclusive of the margin of 1.00%).

As at 31 December 2017, the Company was in a net working capital deficit position of \$25,502,000 (30 June 2017: \$25,613,000) due to the classification of the debt facility as a current liability as its maturity date of 10 April 2018 falls within 12 months of the balance sheet date.

As at the date of this report, a replacement facility has not been negotiated, although preliminary discussions have been initiated with the Lender.

It is the intention of the Directors to renew this debt facility for another long term period as part of the capital management strategy of the Company. The Directors of the Company are confident that the debt facility will be renewed before the maturity date.

6 Issued capital

(a) Share capital

	31 December 2017 Shares	30 June 2017 Shares	31 December 2017 \$'000	30 June 2017 \$'000
Ordinary shares	59,401,830	59,402,380	56,664	56,665

(b) Movements in ordinary share capital

	Date	Details	Notes	Number of shares	\$'000
	1 July 2016	Opening balance		60,586,777	58,012
		Cancellation of shares	6(c)	<u>(603,938)</u>	<u>(672)</u>
	31 December 2016	Closing balance		<u>59,982,839</u>	<u>57,340</u>
	1 July 2017	Opening balance		59,402,380	56,665
		Cancellation of shares	6(c)	<u>(550)</u>	<u>(1)</u>
	31 December 2017	Closing balance		<u>59,401,830</u>	<u>56,664</u>

(c) Share buy-back

The Company renewed the share buy-back for 12 months from 27 February 2017 and bought back 550 shares during the half-year ended 31 December 2017 (for the half-year ended 31 December 2016: 603,938 shares). All these shares were cancelled as at reporting date.

(d) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. During the half-year ended 31 December 2017, the Company did not issue any shares under the DRP (for the half-year ended 31 December 2017: nil).

7 Dividends

(a) Ordinary shares

	Half-year ended 31 December 2017 \$'000	31 December 2016 \$'000
Dividends provided for in respect of the half-year ended	<u>1,188</u>	<u>1,202</u>

7 Dividends (continued)

(b) Dividend rate

Dividends declared are fully franked at 30%.

	Dividend Rate	Total Amount \$'000	Date of Payment	% Franked
2017				
Ordinary shares - interim	1.00cps	\$594	02/02/2018	100%
Ordinary shares - interim	1.00cps	\$594	27/10/2017	100%
2016				
Ordinary shares - interim	1.00cps	\$600	02/02/2017	100%
Ordinary shares - interim	1.00cps	\$602	28/10/2016	100%

8 Earnings per share

(a) Basic earnings per share

	Half-year ended	
	31 December 2017	31 December 2016
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the Company	2.02	1.35
Total basic earnings per share attributable to the ordinary equity holders of the Company	2.02	1.35

(b) Diluted earnings per share

	Half-year ended	
	31 December 2017	31 December 2016
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the Company	2.02	1.35
Total diluted earnings per share attributable to the ordinary equity holders of the Company	2.02	1.35

8 Earnings per share (continued)

(c) Weighted average number of shares used as denominator

	Half-year ended	
	31 December	31 December
	2017	2016
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	59,402,008	60,303,569
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	59,402,008	60,303,569

9 Key management personnel disclosures

(a) Key management personnel compensation

	Half-year ended	
	31 December	31 December
	2017	2016
	\$	\$
Short-term employee benefits	101,808	100,225
Post-employment benefits	2,217	3,800
	104,025	104,025

10 Contingencies

The Company had no contingent liabilities at 31 December 2017 (30 June 2017: nil).

11 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 9.

(b) Transactions with other related parties

	Half-year ended	
	31 December	31 December
	2017	2016
	\$	\$
Management fees	398,978	388,529

There were no performance fees incurred for the half-year ended 31 December 2017 and 31 December 2016.

11 Related party transactions (continued)

(b) Transactions with other related parties (continued)

The Company has entered into a Management Agreement with Aberdeen Asset Management Limited ("Investment Manager") such that it will manage investments of the Company, ensure regulatory compliance with all the relevant laws and regulations, and provide administrative and other services for a fee. The fee includes 0.60% per annum of the average of the weekly valuations of investments and 0.15% per annum of the weekly valuations of investments for obtaining services of an administrator.

A performance fee of 20% is payable on the increase in the value of investments (less the management and administration fees) over the return of the S&P/ASX 200 Accumulation Index ("Index"). Where the Index has decreased over the year, the performance fee is based on the increase in the value of investments. No performance fees are payable if the value of investments have decreased year on year.

12 Events occurring after the reporting period

On 24 January 2018, the Board of Directors announced their intention to rename the Company from 'Aberdeen Leaders Limited' to 'Concentrated Leaders Fund Limited'. To effect the name change, the Board of Directors will seek approval from the shareholders of the Company at an Extraordinary General Meeting.

Effective 31 January 2018, Gil Orski resigned as the Company Secretary of the Company.

On 31 January 2018, the Company's Investment Management Agreement with Aberdeen Asset Management came to an end following the Board of Directors' resolution to internalise the management of the Company's portfolio.

Other than the matters noted above, no other matter or circumstance has occurred subsequent to the 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.

Aberdeen Leaders 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 16 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with 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 Directors under section 303(5) of the *Corporations Act 2001*.



Barry Sechos
Director

Sydney
21 February 2018

Independent Auditor's Review Report to the Shareholders of Aberdeen Leaders Limited

We have reviewed the accompanying half-year financial report of Aberdeen Leaders Limited (the "Company"), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration as set out on pages 4 to 17.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Aberdeen Leaders Limited's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aberdeen Leaders Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

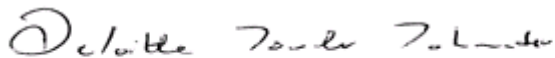
Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Aberdeen Leaders Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

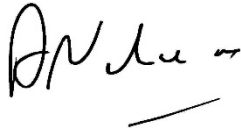
Conclusion

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

- (a) 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) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Alfred Nehama
Partner
Chartered Accountants
Sydney, 21 February 2018