Aberdeen Leaders Limited

Interim Report
Six months ended 31 December 2016

Aberdeen

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Chairman's Statement

Dear Shareholder

Profit after tax for the half year ended 31 December 2016 was $810,000, a decrease on 2015. This reflects lower dividend income received on the portfolio compared to the same period last year due to more emphasis in the portfolio to lower yielding, but more growth orientated, shares. Our slightly underweight position to the banking sector had a negative impact on the performance of the portfolio over the six months and our overweighting to Healthcare, relatively lower yielding, also impacted negatively.

With interest rates remaining at all-time lows, the search for yield within the Australian stock market has continued, although less pronounced than previous years. There appears little prospect of Australian interest rate rises in the short term. The Federal Reserve raised rates slightly in the United States towards the end of 2016 and we would expect further rises in the U.S during 2017 as the economy there remains robust, but we will wait to see what policies the new President implements, although it is early days since his inauguration.

During the last six months the Australian dollar declined by 3.2 per cent from 74.51 cents to 72.08 cents, against the Greenback, although it has regained to its earlier level since the end of the calendar year. Property prices have generally remained strong, especially in Sydney and Melbourne, but Queensland and Western Australia continue to see weakness, especially around Perth. Recent reports from the big four banks, while giving little indication of deteriorating mortgage arrears exposure, indicates they are exercising more caution in lending to developers in the apartment sector and continue to monitor the agriculture sector. Consumer sentiment seems to have improved with some retailers announcing better Christmas sales numbers, although this is not evident across the board, with some department stores experiencing weaker sales over that period.

The Australian share market posted a positive return during the six months, with the ASX/S&P 200 Accumulation Index rising by 10.59%. The Company's gross assets increased by 8.04% over the same period. As at 31 December the NTA per share, pre-tax, was $1.25, a ten cent rise, up 8.5 per cent, from the 30 June 2016 figure. Net of deferred tax on unrealised gains, the NTA was $1.19 per share. The share price closed at $1.13 on 31 December 2016, representing a return of 8.61 per cent*.

*After adding back dividends paid during the period

As at 31 December 2016 the share price stood at a discount to both pre-tax NTA and post-tax NTA.

Interim Dividend
A fully franked dividend of 1.00 cent per share was declared on 21 December 2016, payable on 2 February 2017. 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 9290 9600 and we will mail you a DRP booklet containing the relevant information.

Outlook
Market sentiment was weak towards bond proxy stocks (including REITs and telcos) in the tail end of 2016. This was predominantly driven by a change in views around the US interest rate cycle, with the US Federal Reserve now widely expected to increase base rates by a total of 75bps in 2017. This could potentially lead to more volatility for REITs, telcos and utilities in 2017. Global inflation expectations have improved, which we believe should be positive for global equity markets longer term. We are not complacent as the Australian economy still faces headwinds; at the big end of town, for instance, slow credit growth is limiting banks' ability to grow, and a competitive market is proving challenging for supermarket operators. We are however becoming more positive on miners, which look to have seen the worst in this commodity cycle, with the global reflation thematic and supply discipline in key commodity markets (iron ore, coal) providing some support for the sector, although it remains heavily dependent on Chinese policy.

We are also becoming more positive on the domestic economy given it remains supported by an accommodative monetary policy with cash rates sitting at 1.5% and an unemployment rate that has remained reasonable at 5.7%. The lower exchange rate since 2013 should also help to support the export sector. On top of this we have yet to see an upswing in any large scale infrastructure or capital expenditure, that has been talked about for some time, so when we start to see this come through we would expect this to be positive and to further support domestic growth. Overall we remain cautiously optimistic on the Australian economy. We will continue to take advantage of market volatility, taking the opportunity to either initiate positions we have been closely tracking, or add to those quality companies we already own (if fundamentals remain unchanged) or shift towards those that exhibit better risk-vs-rewards fundamentals. Our focus remains on cash generative companies with solid balance sheets, run by prudent management teams.

Brian Sherman AM **February 2017**
Chairman

Manager's Review

Dear Shareholder,

The S&P/ASX 200 Accumulation Index increased by 10.59% in the six months from end June 2016. It is interesting to look at the breakdown of returns and to compare index and gross portfolio returns over the more recent periods:

Period to 31 December 2016	Portfolio (gross)	Index
Three years annualised	8.00%	6.59%
Twelve months	10.95%	11.80%
Six months	8.04%	10.59%
Three months	3.48%	5.18%

As can be seen from the above table we have under performed the index over the last six months and now are slightly under performing over twelve month but are still out performing over a three year period. By sector our biggest contributor over the last six months was Industrials, closely followed by Materials and then Consumer Discretionary. Detracting sectors were Financials, followed by Healthcare and Listed Property.

During the six months ended 31 December 2016 we initiated two new holdings to the portfolio introducing a small weighting to Treasury Wine Estates, one of the biggest wine suppliers in Australia and internationally and Iress, which supplies real-time trading tools in Australia and other parts of the world. Both of these were introduced in the final month of the half year. We reduced our exposure to TTS Group, towards the end of the half following a potential bid for the company, and reduced exposure to AMP, Adelaide Brighton, Ausnet and S32. We increased exposure to the Caltex, Woodside Petroleum, ANZ, CBA, ASX, Healthscope and BHP. We also disposed of our long standing holding in QBE, following disappointing results from their Australian business. The table below identifies the major contributors and detractors to performance relative to the benchmark in the six months to 31 December 2016:

Key contributors and detractors, six months to 31 December 2016

Top 5 Contributors Stock	Relative weight (%)	Contribution (%)
Rio Tinto	3.5	0.72
Transurban (non-hold)	1.4	0.40
Newcrest (non-hold)	1.0	0.28
Incitec Pivot	2.4	0.28
Tatts Group	1.1	0.26

Top 5 Detractors Stock	Relative weight (%)	Contribution (%)
Healthscope	3.0	-0.95
Westfield Corp	3.3	-0.72
NAB (non-hold)	-5.5	-0.72
CSL	3.2	-0.50
QBE Insurance	-1.1	-0.44

As can be seen from the above the portfolio's performance over the six months our resources stocks Rio and Incitec Pivot benefitted the portfolio and not holding Newcrest (exposed to the gold price) helped too. We reduced our exposure to Tatts in December following an approach for the company but still retain a weighting to it. Healthscope was the biggest detractor following an announcement of subdued trading and Westfield was affected by the property sector falling out of favour following the rise in bond yields. Not holding NAB, in the banking sector, also detracted as its share price improved over the six months. CSL, which was one of the biggest contributors this time last year, disappointed as their guidance was not as strong as expected at their August results. We will be watching the February results announcements for updates on the companies within the portfolio and any forward guidance given by management.

As usual we believe that identifying good quality companies at reasonable values and holding them for the long term will provide superior returns.

Aberdeen Asset Management Limited **February 2017**

Financial Record

Net Tangible Assets

	At 31 December 2016
NTA per share (pre-tax)	1.25
NTA per share (post-tax)	1.19
Share Price	1.13
(Discount) / Premium to NTA (pre-tax)	(9.72)%
(Discount) / Premium to NTA (post-tax)	(5.09)%
Annualised dividend yield* (100% franked)	4.42%**

* Using the share price at the end of the period

** 6.32% gross of franking credits

Performance Summary

				At 31 December 2016
	3 Months %	12 Months %	3 Years % pa	5 Years % pa
Total portfolio*	3.84	10.95	8.00	10.71
Benchmark**	5.18	11.80	6.59	11.85
Net Assets (pre-tax)	3.65	11.99	7.46	11.24
Net Assets (post-tax)	2.66	9.95	7.04	9.35
Share Price	3.67	13.38	-1.23	8.14

All returns assume reinvestment of dividends.

* Performance is calculated based on the change in the value of the total portfolio (excluding the loan and tax liabilities) before deduction of all other fees. Past performance is not a guide to future performance.

** Benchmark: S&P/ASX 200 Accumulation Index.

Portfolio Composition

	At 31 December 2016
Equities	96.2
Cash	3.8
Total	100%

Asset allocation is on gross assets and excludes the loan facility liability.

Dividend

A fully franked dividend of 1.00 cents per share payable for the September quarter was declared on 21st December 2016, payable on 2nd February 2017. Given the uncertain market conditions the Board will continue to review future dividends and will be closely monitoring corporate results, asset values and dividend statements in the months ahead.

Franking Credits

As at 31 December 2016 the Company franking account had a franking credits balance of $9.9 m

Portfolio of Investments

The full portfolio of the Company at market value at 31 December 2016 is shown below:

Sector	Company	Quantity	Market value $	%
Finance Ex Property Trusts	ANZ Banking Group	131,400	3,994,560	3.93
	ASX Ltd	114,300	5,639,562	5.55
	AMP LTD	641,200	3,225,236	3.17
	Commonwealth Bank	75,400	6,212,960	6.11
	Medibank Private Ltd	561,900	1,584,558	1.56
	Perpetual Limited	31,300	1,512,729	1.49
	Westpac Banking Corp	174,400	5,683,696	5.59
			27,853,301	**27.41**
Property Trusts	Westfield Corp Npv Stapled Units	500,500	4,679,675	4.61
	Scentre Grp Npv	932,900	4,300,669	4.23
			$8,980,344	**8.84**
Consumer Discretionary	Tattersall's Limited	335,660	1,493,687	1.47
			$1,493,687	**1.47**
Consumer Staples	Coca-Cola Amatil	195,900	1,959,000	1.93
	Treasury Wine Estate	69,000	732,780	0.72
	Woolworths Limited	86,100	2,071,566	2.04
			$4,763,346	**4.69**
Health Care	Cochlear Limited	30,600	3,702,600	3.64
	CSL Limited	64,500	6,475,155	6.37
	Healthscope Ltd	1,471,100	3,368,819	3.32
	Resmed Inc	362,900	3,102,795	3.05
			$16,649,369	**16.38**
Energy	Caltex Australia	90,900	2,744,271	2.70
	Woodside Petroleum	139,800	4,354,770	4.29
			$7,099,041	**6.99**
Materials	Adelaide Brighton Ltd	347,900	1,878,660	1.85
	AMCOR Limited	262,300	3,913,516	3.85
	BHP Billiton Limited	199,000	4,986,940	4.91
	Incitec Pivot Limited	800,800	2,874,872	2.83
	Rio Tinto	90,300	5,395,425	5.31
	South32 Limited	331,600	911,900	0.90
			$19,961,313	**19.64**
Industrials	Brambles Ltd	116,900	1,433,194	1.41
			$1,433,194	**1.41**
Telecommunication Services	Telstra Corporation Limited	1,009,400	5,137,846	5.06
			$5,137,846	**5.06**
Utilities	AGL Energy Limited	214,600	4,721,200	4.65
	Ausnet Services	1,814,300	2,848,451	2.80
			$7,569,651	**7.45**
Information Technology	Iress Limited	42,600	481,380	0.47
			$481,380	**0.47**
Equity Total			**$101,422,472**	**99.80**
Net Liquidity including dtl			**$198,500**	**0.20**
Total Assets excluding Debt			**$101,620,972**	**100.00**
Loan Facility			**($30,000,000)**	**-29.52**
Total Equity			**$71,620,972**	**70.48%**

Statement of Comprehensive Income

	Notes	31 December 2016 $'000	31 December 2015 $'000
Investment income from ordinary activities	4	**1,936**	2,250
Expenses			
Management fees	12(b)	**(389)**	(386)
Performance fees	12(b)	**-**	(7)
Share registry fees		**(44)**	(41)
Custody fees		**(44)**	(47)
Directors' fees		**(104)**	(104)
Directors' liability insurance fees		**(22)**	(19)
ASX fees		**(45)**	(45)
Audit fees		**(38)**	(41)
Other expenses		**(33)**	(16)
Interest expense		**(667)**	(667)
		(1,386)	(1,373)
Profit before income tax		**550**	877
Income tax benefit	5	**264**	293
Net profit for the period		**814**	1,170
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		**185**	156
Income tax relating to changes in fair value of cash flow hedges		**(56)**	(47)
Items that will not be reclassified to profit or loss			
Net unrealised gains/(loss) on financial assets taken to equity		**5,883**	(2,756)
Income tax (expense)/benefit relating to unrealised gains on financial assets taken to equity		**(1,765)**	827
Net realised gains on financial assets taken to equity		**254**	1,945
Income tax expense relating to realised gains on financial assets taken to equity		**(76)**	(583)
Other comprehensive income for the period, net of tax		**4,425**	(458)
Total comprehensive income for the period		**5,239**	712
Earnings per share for profit attributable to the ordinary equity holders of the Company:		**Cents**	Cents
Basic earnings per share	9	**1.35**	1.90
Diluted earnings per share	9	**1.35**	1.90

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

Statement of Financial Position

	Notes	31 December 2016 $'000	30 June 2016 $'000
Assets			
Current assets			
Cash and cash equivalents		**2,278**	2,720
Trade and other receivables		**32**	354
Other current assets		**14**	36
Total current assets		**2,324**	3,110
Non-current assets			
Financial assets at fair value through other comprehensive income	2	**101,422**	96,361
Deferred tax assets		**2,529**	2,413
Total non-current assets		**103,951**	98,774
Total assets		**106,275**	101,884
Liabilities			
Current liabilities			
Trade and other payables		**216**	324
Dividends payable		**600**	1,031
Borrowings	6	**30,000**	30,000
Derivative financial instruments	2	**138**	323
Total current liabilities		**30,954**	31,678
Non-current liabilities			
Deferred tax liabilities		**3,701**	1,951
Total non-current liabilities		**3,701**	1,951
Total liabilities		**34,655**	33,629
Net assets		**71,620**	68,255
Equity			
Issued capital	7	57,340	58,012
Reserves		8,472	4,225
Retained earnings		5,808	6,018
Total equity		**71,620**	68,255

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

Statement of Changes in Equity

	Notes	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2015		59,091	6,752	4,592	70,435
Net profit for the period		-	-	1,170	1,170
Other comprehensive income for the period					
Changes in fair value of cash flow hedges		-	156	-	156
Income tax on changes in fair value of derivative financial instruments		-	(47)	-	(47)
Net unrealised gains/losses on financial assets taken to equity		-	(2,756)	-	(2,756)
Income tax on net unrealised gains/losses on financial assets taken to equity		-	827	-	827
Net realised gains/losses on financial assets taken to equity		-	1,945	-	1,945
Net income tax relating to the above items		-	(583)	-	(583)
Total other comprehensive income for the period, net of tax		-	(458)	-	(458)
Total comprehensive income for the period		-	**(458)**	**1,170**	**712**
Transactions with owners in their capacity as owners:					
Net realised gains/losses transferred to retained earnings (net of income tax)		-	(1,362)	1,362	-
Cancellation of ordinary shares	7	(1)	-	-	(1)
Dividends provided for	8	-	-	(1,231)	(1,231)
		(1)	(1,362)	131	(1,232)
Balance at 31 December 2015		**59,090**	**4,932**	**5,893**	**69,915**
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 cash flow hedges		-	185	-	185
Income tax on changes in fair value of derivative financial instruments		-	(56)	-	(56)
Net unrealised gains/losses on financial assets taken to equity		-	5,883	-	5,883
Income tax on net unrealised gains/losses on financial assets taken to equity		-	(1,765)	-	(1,765)
Net realised gains/losses on financial assets taken to equity		-	254	-	254
Net income tax relating to the above items		-	(76)	-	(76)
Total other comprehensive income for the period, net of tax		-	4,425	-	4,425
Total comprehensive income for the period		-	**4,425**	**814**	**5,239**
Transactions with owners in their capacity as owners:					
Net realised gains/losses transferred to retained earnings (net of income tax)		-	(178)	178	-
Cancellation of ordinary shares	7	(672)	-	-	(672)
Dividends provided for	8	-	-	(1,202)	(1,202)
		(672)	(178)	(1,024)	(1,874)
Balance at 31 December 2016		57,340	8,472	5,808	71,620

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

Statement of Cash Flows

	Notes	31 December 2016 $'000	31 December 2015 $'000
Cash flows from operating activities			
Dividends and trust distributions received		**2,221**	2,536
Interest received		**26**	34
Management fees paid		**(386)**	(381)
Performance fees paid		**(105)**	(42)
Finance costs paid		**(670)**	(664)
Payments for other expenses		**(298)**	(258)
Net cash inflow from operating activities		**788**	1,225
Cash flows from investing activities			
Payments for purchase of investments		**(9,387)**	(8,033)
Proceeds from sale of investments		**10,462**	8,590
Net cash inflow from investing activities		**1,075**	557
Cash flows from financing activities			
Payments for shares bought back	7	**(672)**	-
Dividends paid		**(1,633)**	(1,846)
Net cash (outflow) from financing activities		**(2,305)**	(1,846)
Net (decrease) in cash and cash equivalents		**(442)**	(64)
Cash and cash equivalents at the beginning of the period		**2,720**	3,626
Cash and cash equivalents at end of period		**2,278**	3,562

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

Notes to the Financial Statements

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 2016 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 2016 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 2016 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 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.

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.

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.

(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:

- Derivative financial instruments
- 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 2016: 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 2016 and 30 June 2016 on a recurring basis.

At 31 December 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets at FVTOCI				
Equity securities	101,422	-	-	101,422
Total financial assets	101,422	-	-	101,422
Financial liabilities				
Derivatives used for hedging	-	(138)	-	(138)
Total financial liabilities	-	(138)	-	(138)

At 30 June 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets at FVTOCI				
Equity securities	96,361	-	-	96,361
Total financial assets	96,361	-	-	96,361
Financial liabilities				
Derivatives used for hedging	-	(323)	-	(323)
Total financial liabilities	-	(323)	-	(323)

There were no transfers between levels for recurring fair value measurements during the period (30 June 2016: 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

	31 December 2016 $'000	31 December 2015 $'000
Dividends on long term investments held at the end of the period	**1,854**	2,106
Dividends on long term investments sold during the period	**57**	27
Distributions on long term investments held at the end of the period	**-**	83
Interest	**25**	34
	1,936	2,250

5 Income tax expense

Income tax benefit is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 31 December 2016 is -48%, compared to -33% for the six months ended 31 December 2015.

6 Borrowings

		31 December 2016			30 June 2016	
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Secured						
Bank loans	**30,000**	-	**30,000**	30,000	-	30,000
Total secured borrowings	**30,000**	-	**30,000**	30,000	-	30,000

The Directors have entered into a $30 million revolving cash advance facility with Westpac Banking Corporation. In 2014, the term of the debt facility was extended to 10 April 2017.

The facility is secured by a fixed and floating charge over the Company's assets. The carrying amount of the assets pledged as security at 31 December 2016 is $103,746,000 (30 June 2016: $99,471,000). The facility is fully drawn to $30 million at balance date.

As at 31 December 2016, the Company's Statement of Financial Position was in a net working capital deficit position of $28,630,000. This is on account of the classification of the borrowings facility with Westpac Banking Corporation ('Borrower') as current per the Statement of Financial Position, as the borrowings are due for repayment on 10 April 2017 i.e. within 12 months of the half-year ended 31 December 2016.

As at the date of this report, a replacement facility has not been negotiated, although preliminary discussions have been initiated with the Borrower. It is the intention of the Directors to renew this borrowings facility.

7 Issued capital

(a) Shared Capital

	31 December 2016 Shares	30 June 2016 Shares	**31 December 2016 $'000**	30 June 2016 $'000
Ordinary shares	**59,982,839**	60,586,777	**57,340**	58,012

(b) Movements in ordinary share capital

Date	**Details**		**Number of shares**	**$'000**
1 July 2015	Opening balance		61,574,450	59,091
	Shares bought back	7(c)	(629)	(1)
31 December 2015	Closing balance		61,573,821	59,090
1 July 2016	Opening balance		60,586,777	58,012
	Cancellation of shares	7(c)	(603,938)	(672)
31 December 2016	Closing balance		59,982,839	57,340

(c) **Share buy-back**
The Company renewed the share buy-back for 12 months from 27 February 2016 and bought back 603,938 shares during the half-year ended 31 December 2016 (for the half-year ended 31 December 2015: 629 shares).

(d) **Dividend reinvestment plan**
A Dividend Reinvestment Plan has been in operation for the period ended 31 December 2016.

The Company has a Dividend Reinvestment Plan (DRP) which is in operation for this dividend. Securities received as part of participation in the DRP rank equally with other ordinary shares and their price is calculated in accordance with the DRP documentation. A DRP form must be received before 5.00pm on the business day after the Record Date to be effective in respect of those dividends. During the half-year ended 31 December 2016, the Company did not issue any shares under the DRP (for the half-year ended 31 December 2015: nil).

8 Dividends
(a) Ordinary Shares

	31 December 2016 $'000	31 December 2015 $'000
Dividends provided for in respect of the half-year ended	**1,202**	1,231

(b) **Dividend rate**
Dividends declared are fully franked at 30%.

	Dividend Rate	Total Amount $'000	Date of Payment	% Franked
2016				
Ordinary shares - interim	1.00cps	$600	02/02/2017	100%
Ordinary shares - interim	1.00cps	$602	28/10/2016	100%
2015				
Ordinary shares - interim	1.00cps	$616	04/02/2016	100%
Ordinary shares - interim	1.00cps	$615	30/10/2015	100%

9 Earnings per share
(a) Basic earnings per shares

	31 December 2016 $'000	31 December 2015 $'000
From continuing operations attributable to the ordinary equity holders of the Company	1.35	1.90
Total basic earnings per share attributable to the ordinary equity holders of the Company	1.35	1.90

(b) Diluted earnings per share

	31 December 2016 $'000	31 December 2015 $'000
From continuing operations attributable to the ordinary equity holders of the Company	1.35	1.90
Total diluted earnings per share attributable to the ordinary equity holders of the Company	1.35	1.90

(c) Weighted average number of shares used as denominator

	Half-year ended 31 December 2016 Number	Half-year ended 31 December 2015 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	60,303,569	61,574,028
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	60,303,569	61,574,028

10 Key management personnel disclosures

(a) Key management personnel compensation

	Half-year ended 31 December 2016 Number	Half-year ended 31 December 2015 Number
Short-term employee benefits	100,225	100,225
Post-employment benefits	3,800	3,800
	104,025	104,025

11 Contingencies

The Investment Management Agreement entered into by the Company with Aberdeen Asset Management Limited may be terminated by either party giving to the other no less than three-months written notice of its intention to do so.

The Company had no contingent assets/liabilities at 31 December 2016 (30 June 2016: nil).

12 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 10.

(b) Transactions with other related parties

	Half-year ended 31 December 2016 Number	Half-year ended 31 December 2015 Number
Management fees	388,529	386,127
Performance fees	-	6,934

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.

13 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.

Directors' Declaration

In the Directors' opinion:

(a) the interim financial statements and notes set out on pages 6 to 15 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 entity's financial position as at 31 December 2016 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.

Augustine Mark Daniels
Director

Sydney
21 February 2017

Corporate Information

Aberdeen Asset Management Limited, Australia, is the Manager of the Company. It is a subsidiary of Aberdeen Asset Management PLC ("Aberdeen") whose group of companies as at 31 December 2016 managed a combined A$516.5 billion for institutions, unit trusts, listed investment companies, offshore funds and private clients.

Aberdeen has its headquarters in Aberdeen, Scotland, and operates 37 offices in 25 countries around the world. Clients access Aberdeen's investment expertise across the three asset classes of equities, fixed income and property as well as tailored solutions. Aberdeen follows a predominantly long-only approach, based on fundamentally sound investments. Aberdeen's investment teams are based in the markets or regions in which they invest.

Global reach, local understanding
We know global markets from the local level upwards. We believe our focus, size and approach enable us to provide effective asset management and superior client service.

Our teams champion original thinking and knowledge, so investment decisions are based only on our own research.

As a group, we have the scale to provide global coverage of financial markets, yet we are small enough to focus on each and every portfolio decision.

Close-knit teams, clear investment processes and flat structures are important to us. We seek to grow our clients' assets in a way that is manageable and sustainable over the longer term.

Aberdeen in Australia
Aberdeen commenced its Australian operations in December 2000, and as at 31 December 2016 had A$12.6 billion in assets under management and advice. In addition to managing the investments of a number of Australian registered funds, Aberdeen in Australia also manages the Aberdeen Group's Australian and New Zealand assets for a range of global and domestic clients.

Aberdeen Leaders Limited Interim Report Six months ended 31 December 2016

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