

First Growth Funds Limited
ABN 34 006 648 835

Annual Report - 30 June 2017

First Growth Funds Limited
Corporate Directory
30 June 2017

Directors	Mr Geoff Barnes (Chairman) Mr Athan Lekkas Mr Michael Clarke
Company Secretary	Mrs Julie Edwards
Registered office	Level 5 56 Pitt Street Sydney NSW 2000
Principal place of business	Level 5 56 Pitt Street Sydney NSW 2000
Share register	Computershare Investor Services 452 Johnston Street Abbotsford VIC 3067
Auditor	Pitcher Partners Level 38, Central Plaza, 345 Queen Street Brisbane VIC 4001
Stock exchange listing	ASX Code: FGF
Website address	www.firstgrowthfunds.com

First Growth Funds Limited
Operating Financial Report
30 June 2017

Financial Performance

The net consolidated operating loss of the economic entity for the financial year, after providing for income tax, amounted to \$872,389 compared with a loss for the 2016 year of \$481,824. This has been primarily due to trading loss on investments and increase in operating expenses incurred in the current financial year. Total assets are \$2,120,269 as at 30 June 2017 (\$940,343 as at 30 June 2016) and net assets are \$2,041,693 as at 30 June 2017 (\$838,563 as at 30 June 2016).

Our Business

First Growth Funds (FGF) is an ASX listed investment company that manages a portfolio of investments covering small and medium companies that are listed on the Australian Securities Exchange or seeking investment ahead of an Initial Public Offering (IPO). The Board of Directors has been appointed to ensure an experienced and complimentary skillset exists for the benefit of the Company. The Directors have experience in investment opportunities, capital raisings and initial public offerings. The number of holdings in the portfolio will depend on market conditions and investment opportunities. The selection of stocks in the portfolio is based on attractive valuations along with suitable growth prospects.

Our Business Strategy

As a short to medium term investor, the last financial year has been challenging especially with falling commodity prices impacting energy and resource companies and the high valuations trading on the higher yielding companies.

First Growth Funds has chosen to hold a high level of cash for the majority of the year, whilst also deploying some of this into the market with the major focus of this activity in small and mid-sized companies where our team have identified potential trading and investment opportunities.

First Growth Funds has also invested in select initial public offerings (IPOs) and recapitalisations where growth and upside could be identified in the relative short term with suitable liquidity events within 24 months of investment.

The Company will continue to review suitable investment opportunities going forward and will continue to seek capital growth opportunities.

Prospects for future financial years

The outlook for the Australian industrial economy remains mildly positive at the present time.

The drivers of consumer conditions are broadly favourable. Monetary policy is supportive, consumer wealth has lifted through strong house price growth and strong equity market returns from the last four years, and employment is growing, albeit slowly.

Business conditions in many sectors have been improving. Financial markets activity and loan growth have expanded. Residential construction is proceeding at a high level. The lower Australian dollar is boosting export industrial opportunities and improving the competitiveness of domestically manufactured goods over imports.

International influences are also developing in a positive direction. Employment and underlying economic activity are continuing to expand in the USA. The closer focus will remain on the Chinese economy and how its government manages and supports policy initiatives.

There are some negatives against these favourable contributors.

The global push to lower government spending has in turn failed to stimulate consumer activity and promoted deflation whilst pushing interest rates to unsustainably low levels.

The Australian economy continues to face headwinds including the downturn in mining activity resulting from the low commodity prices and lower levels of planned capital expenditure.

As we look towards the 2018 financial year, consensus expectations for the non-resource sectors of the Australian listed market are for companies on average to experience low single-digit earnings growth.

First Growth Fund's strategic objective is to seek to both capitalise on the opportunities and avoid the risks that such a changing environment presents, while continuing to provide our shareholders with a diversified exposure to Australian investment opportunities.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Geoff Barnes', is written over a horizontal line.

Geoff Barnes
Director

30 August 2017

First Growth Funds Limited
Directors Report
30 June 2017

The directors present their report on the consolidated entity consisting of First Growth Funds Limited and the entities it controlled for the year ended 30 June 2017. These Financial Statements cover the period from 1 July 2016 to 30 June 2017.

Principal activities

The Company is a Listed Investment Company with the ongoing investment objectives of the Company being to acquire up to 100% of, or to invest in, listed or unlisted companies or operating businesses where the Company believes there are suitable growth opportunities.

Directors

The following persons were directors of First Growth Funds Limited during the whole of the financial year and up to the date of this report unless otherwise stated:

Athan Lekkas
Geoff Barnes
Michael Clarke

Operating Results

The operating loss of the consolidated entity after providing for income tax was \$872,389 (30 June 2016: \$481,824)

Dividends

There were no Dividends paid during the 2017 financial year to the owners of First Growth Funds Limited (2016: nil).

Information on Directors

Set out below is information on all the Directors of the Company.

Mr. Geoff Barnes – Chairman of the Board: Appointed 16 May 2014

Mr. Barnes is a Founder and Director of Peloton Capital Pty Ltd ("Peloton"), where he has responsibility for equity markets, stockbroking operations and corporate transactions. Prior to that he was employed for 9 years at Macquarie Private Wealth (Sydney) as an investment adviser and then Division Director, specialising in all commercial aspects of bringing projects to market, predominantly in the energy sector.

Mr. Barnes does not fulfil the role of an independent director as he is a major shareholder of the Company.

Other Current Directorships:

Nil

Former Directorships in last 3 years:

Xped Limited

Mr. Athan Lekkas – Non-Executive Director: Appointed 16 July 2012

Mr. Lekkas has participated in a broad range of business and corporate advisory transactions, and is a former founding Director of Energio Limited, an Iron Ore company in West Africa. Mr. Lekkas has more recently focused and specialised on the restructure and recapitalisation of a wide range of ASX Listed companies with a specific interest in the resources sectors and is also a Member of the Australian Institute of Company Directors.

Mr. Lekkas fulfils the role of an independent director as he is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with the independent exercise of judgement.

Other Current Directorships:

Xped Limited

Former Directorships in last 3 years

Nil

Mr. Michael Clarke – Non-Executive Director: Appointed 19 May 2014

Mr. Clarke has over 18 years' experience in the IT industry and has worked across both public and private enterprise during his career. He has broad experience in the development and management of enterprise and complex systems and worked at many senior levels during this time. Mr Clarke has consulted and provided services to a variety of industries including

First Growth Funds Limited
Directors Report
30 June 2017

manufacturing, mining and resources, government and education.

Mr. Clarke fulfils the role of an independent director as he is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with the independent exercise of judgement

Other Current Directorships

Nil

Former Directorships in last 3 years

Xped Limited

Company Secretary

Frances Notman (BCA, ACA) has resigned the role of Company Secretary on 1 September 2016. Julie Edwards (CPA) was appointed as the Secretary from this date. Ms Edwards holds a Bachelor of Commerce degree, is a member of CPA Australia and holds a Public Practice Certificate. Ms Edwards is a director and manager of Lowell Accounting Services and also provides Company Secretarial services for a number of other ASX listed companies and unlisted companies.

Auditors

FGF appointed Pitchers Partners as auditors for the company effective from 23 January 2017. This appointment followed the resignation of BDO East Coast Partnership and ASIC's consent to the resignation. The Board selected Pitcher Partners as the Company's auditors based on the outcome of an audit tender process undertaken by the Director's.

Meetings of directors

The numbers of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2017, and the numbers of meetings attended by each director were:

	Full Board		Audit Compliance & Corporate Governance Committee		Remuneration Committee	
	Attended	Held*	Attended	Held	Attended	Held
Geoff Barnes	4	4	-	-	-	-
Michael Clarke	4	4	-	-	-	-
Athan Lekkas	4	4	-	-	-	-

* Held represents the number of meetings held during the time the director held offices or was a member of the relevant committee.

The functions of the Remuneration, Nomination & Share Allotment Committees are incorporated into the meetings of the Board of Directors. The aggregate remuneration paid to non-executive directors is currently capped at A\$450,000 being the level approved by shareholders for this purpose at the Annual General Meeting of shareholders held on 30 November 2009. Non-executive director's remuneration will reflect the additional committees that they may serve on from time to time. There are no termination benefits for directors.

Remuneration Report (audited)

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity in accordance with the requirements of the Corporations Act 2001 and its regulations.

Voting and comments made at the company's prior Annual General Meeting ('AGM')

At First Growth Funds 2016 Annual General Meeting, FGF received votes against its Remuneration Report representing greater than 25% of the votes cast by persons entitled to vote. In other words, FGF received a "First Strike" against its 2016 Remuneration Report. In these circumstances, the Corporations Act 2001 requires FGF to include in this year's Remuneration Report, an explanation of the Board's proposed action in response to that First Strike or, alternatively, if the Board does not propose any action, the Board's reason for such inaction.

The board takes shareholder's concern seriously and is committed to ensuring the executive remuneration approach is informed by market practice, takes shareholders holder views into account, is linked to our business strategy, and operates to attract and retain key talent. The board notes there have been no other shareholder concerns

First Growth Funds Limited
Directors Report
30 June 2017

presented to the board at past AGM's and that the total votes against adoption of remuneration were less than 1% of the issued capital. Whilst the board has not amended its overall remuneration policy it has begun implementing a freeze on director remuneration with all director fees now accruing to preserve cash.

The Board remains confident that its remuneration policy and the level and structure of its executive remuneration are suitable for the company and its shareholders.

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) and specified executives of First Growth Funds Limited are set out in the following tables.

The key management personnel of the consolidated entity consisted of the directors of First Growth Funds Limited only.

2017	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash fees *	Bonus	Non-monetary	Superannuation	Long service leave	Equity settled	Total
	\$	\$	\$	\$	\$	\$	\$
Non -Executive Directors:							
Athan Lekkas	100,000	-	-	-	-	84,000	184,000
Geoff Barnes	100,000	-	-	-	-	84,000	184,000
Michael Clarke	80,000	-	-	-	-	28,000	108,000

* These fees were paid for invoices of services provided by the following entities:

- Sparke Enterprises Pty Ltd (Michael Clarke is a director of this entity.)
- Dalext Pty Ltd (Athan Lekkas is a director of this entity.)

2016	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees	Bonus	Non-monetary	Superannuation	Long service leave	Equity settled	Total
	\$	\$	\$	\$	\$	\$	\$
Non -Executive Directors:							
Athan Lekkas	50,000	-	-	-	-	-	50,000
Geoff Barnes	53,000	-	-	-	-	-	53,000
Michael Clarke	51,500	-	-	-	-	-	51,500

All directors' remuneration is fixed.

First Growth Funds Limited
Directors Report
30 June 2017

Directors' Option holdings

Details of options over ordinary shares issued to directors and other key management personnel during the year ended 30 June 2017 are set out below:

	Balance at beginning of the year		increase during the year		exercised, lapsed or excluded during the year		Net other changes		Balance at end of year	
	Series "B" Expiry Feb 2018	Series "C" Expiry Feb 2018	Series "B" Expiry Feb 2018	Series "C" Expiry Feb 2018	Series "B" Expiry Feb 2018	Series "C" Expiry Feb 2018	Series "B" Expiry Feb 2018	Series "C" Expiry Feb 2018	Series "B" Expiry Feb 2018	Series "C" Expiry Feb 2018
Geoff Barnes	33,450,000	14,833,331							33,450,000	14,833,331
Michael Clarke		5,757,575								5,757,575
Athan Lekkas	6,000,000	19,181,816							6,000,000	19,181,816

Directors' Shareholdings

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2017	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year (4)
<i>Ordinary shares</i>					
Geoff Barnes	85,000,000	15,000,000	2,875,000	-	128,750,000
Michael Clarke	2,000,000	5,000,000	2,272,727	-	9,272,727
Athan Lekkas	13,200,000	15,000,000	12,545,454	-	40,745,454

2016	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year (4)
<i>Ordinary shares</i>					
Geoff Barnes	83,068,053	-	1,931,947	-	85,000,000
Michael Clarke	2,000,000	-		-	2,000,000
Athan Lekkas	13,200,000	-	-	-	13,200,000

The earnings of the consolidated entity for five years to 30 June 2017 are summarised below:

Year Ended June 30	2017	2016	2015	2014	2013
EBITDA	(912,538)	(491,202)	(181,622)	970,072	(325,179)
EBIT	(912,538)	(491,202)	(181,622)	970,072	(325,179)

The factors that are considered to affect total shareholders return ("TSR") are summarised below:

Year Ended June 30	2017	2016	2015	2014	2013
Share Price at June 30	0.004	0.007	0.006	n/a	n/a
Dividends Declared	Nil	Nil	Nil	Nil	Nil
EPS cents	(0.106)	(0.106)	(0.054)	(0.542)	(0.650)

First Growth Funds Limited
Directors Report
30 June 2017

The remuneration strategy of FGF is critical to achieving the Group's overall objective of profitable growth and quality of product through a strong performance culture. The directors consider that the structure adopted is designed to be competitive in the listed investment market so as to attract, motivate and retain the best executives available.

The core of FGF's remuneration philosophy seeks to focus on:

- Driving performance over and above shareholder and market expectations;
- Ensuring variable pay is very closely linked to the Group's performance and that individuals who contribute to this performance are appropriately rewarded; and
- Providing incentives for high performing individuals to align personal and corporate objectives over the medium to long-term through equity ownership;

The FGF remuneration framework will be structured in such a way as to drive ongoing superior performance and align executive and shareholder interests using other Listed Investment Companies as benchmarks. Key features of the proposed FGF remuneration structure include:

Fixed remuneration: The level of fixed remuneration will be set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Incentive Plans: First Growth Funds does not currently have either a Short Term Incentive Plan or a Long Term Incentive Plan in place, however the Company may look to introduce these in future years.

This concludes the remuneration report that has been audited.

Unexpired Option

First Growth Funds Limited's unexpired option at the date of this report are as follows:

Allocation Date	Expiry Date	Ex Price	Option Class	No. under Option
February 2015	17 February 2018	0.02	Series B	272,866,800
June 2016	20 February 2018	0.02	Series C	161,757,498

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company has received an invoice for a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

There has been provision of the following non-audit services during the financial year, by the current auditor, Pitcher Partners, which is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001:

Date of services	Details of non-audit services provided	Net amount invoiced
28 November 2016	Assistance provided in relation to the preparation of an Australian and international tax structuring slide deck document for a potential transaction between First Growth Fund and Daylight Technology.	\$6,240
30 November 2016	Assistance provided in relation to a telephone conference call with international parties relevant to the Daylight Technology transaction. Preparation of a draft convertible note facility term sheet setting out the key terms of the potential funding instrument.	\$2,640
19 December 2016	Work performed during the period in relation to tax structuring matters; and Assistance provided in relation to the review of the convertible note subscription legal agreement and provision of mark-ups to reflect the agreed structure.	\$2,650
28 February 2017	Assistance provided in relation to the Australian, Canadian and US tax structuring matter including potential Australian taxation regimes relevant in the context of an IPO and Canadian and US rollover matters.	\$3,625
Total		<u>\$15,155</u>

The Directors were satisfied with the above services provided by the auditor based on the quality and result of the services received.

Likely Developments and Expected Results from Operations

The Company does not expect a change in the nature of its operations and will continue as a Listed Investment Company (LIC), and to seek additional investment opportunities in a variety of asset classes, listed or unlisted companies, which it either believes are significantly undervalued, or where it believes it can add value through investment and management expertise.

Significant changes in the state of Affairs

There has been no significant change in the state of Affairs other than that set out in the Operating Financial Report.

Matters subsequent to the end of the financial year

There have been no matters subsequent to the end of the financial year.

Auditor's independence declaration

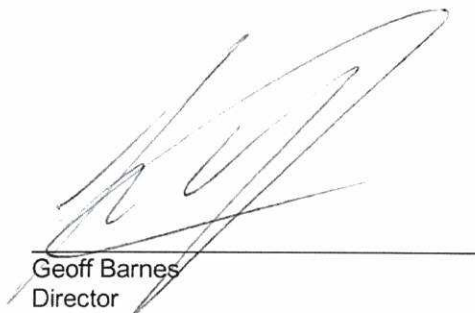
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Rounding of amounts

Amounts in this report have been rounded off in to the nearest dollar in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 which permits amounts to be rounded at least to the nearest dollar.

This report is made in accordance with a resolution of directors.

On behalf of the directors



Geoff Barnes
Director

30 August 2017

First Growth Funds Limited
Corporate Governance Statement
30 June 2017

Corporate Governance Practices and Conduct

First Growth Funds Limited has published its Corporate Governance Statement on its website. It can be found at www.firstgrowthfunds.com/about/corporate-governance



PITCHER PARTNERS
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KYLIE LAMPRECHT
NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS
COLE WILKINSON
SIMON CHUN
JEREMY JONES

Auditor's Independence Declaration

As lead auditor for the audit of First Growth Funds Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

PITCHER PARTNERS

NIGEL BATTERS
Partner

Brisbane, Queensland
30 August 2017

First Growth Funds Limited
For the year ended 30 June 2017

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First Growth Funds Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017

		Consolidated	
	Note	2017	2016
		\$	\$
Income			
Revenue	3	(98,596)	268,964
Other Income	3	-	408,913
Expenses			
Acquisition Related Costs		-	(440,000)
ASX Fees		(21,021)	(23,124)
Share Registry Costs		(18,195)	(38,866)
Director Fees		(400,440)	(148,648)
Professional Fees		(133,906)	(113,611)
Travel		(36,543)	(110,742)
AFSL		(46,536)	(21,259)
Secretarial Fees		(15,384)	(68,400)
Legal fees		(1,813)	(41,921)
Other expenses		(99,955)	(153,130)
Loss before income tax expense from continuing operations		(872,389)	(481,824)
Income tax expense	4	-	-
Loss after income tax expense for the year		(872,389)	(481,824)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(872,389)	(481,824)
Loss for the year is attributable to:			
Owners of First Growth Funds Limited		(872,389)	(481,824)
Total comprehensive income for the year is attributable to:			
Owners of First Growth Funds Limited		(872,389)	(481,824)
	Note	2017	2016
		Cents	Cents
Earnings per share for loss attributable to the owners of First Growth Funds Limited			
Basic loss per share	21	(0.106)	(0.106)
Diluted loss per share	21	(0.106)	(0.106)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

First Growth Funds Limited
Statement of Financial Position
As at 30 June 2017

		Consolidated	
	Note	2017	2016
		\$	\$
Assets			
Current Assets			
Cash & cash equivalents	5	840,325	659,483
Trade & other receivables	6	399,944	36,560
Trading investments at FVTPL	7	530,000	244,300
Available for sale financial assets	8	350,000	-
Total current assets		2,120,269	940,343
Total assets		2,120,269	940,343
Liabilities			
Current liabilities			
Trade & other payables	9	78,576	86,635
Borrowings	10	-	15,145
Total current liabilities		78,576	101,780
Total liabilities		78,576	101,780
Net Assets		2,041,693	838,563
Equity			
Contributed equity	11	56,863,383	54,787,864
Share Option Reserve	12	296,347	296,347
Accumulated losses	13	(55,118,037)	(54,245,648)
Total equity		2,041,693	838,563

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

First Growth Funds Limited
Statement of Changes in Equity
For the year ended 30 June 2017

	Contributed equity \$	Share Option Reserve \$	Accumulated losses \$	Total equity \$
Consolidated				
Balance at 1 July 2016	54,787,864	296,347	(54,245,648)	838,563
Loss after income tax expense for the year	-	-	(872,389)	(872,389)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(872,389)	(872,389)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 12)	2,075,519	-	-	2,075,519
Balance at 30 June 2017	56,863,383	296,347	(55,118,037)	2,041,693

	Contributed equity \$	Share Option Reserve \$	Accumulated losses \$	Total equity \$
Consolidated				
Balance at 1 July 2015	54,362,039	296,347	(53,763,824)	894,562
Loss after income tax expense for the year	-	-	(481,824)	(481,824)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(481,824)	(481,824)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 12)	425,825	-	-	425,825
Balance at 30 June 2016	54,787,864	296,347	(54,245,648)	838,563

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

First Growth Funds Limited
Statement of Cash Flows
For the year ended 30 June 2017

		Consolidated	
	Note	2017	2016
		\$	\$
Cash flows from operating activities			
Proceeds from trading investments		1,502,176	3,632,914
Payments for trading investments		(2,629,195)	(3,074,307)
Payments for acquisition related cost		-	(440,000)
Payments to suppliers and employees		(577,006)	(657,360)
Interest received		20,493	11,642
Dividends received		-	1,500
Net cash used in operating activities	20	(1,683,532)	(525,611)
Cash flows from financing activities			
Proceeds from issue of shares		2,099,800	469,409
Payments for issue of share		(220,281)	(43,584)
Repayment of borrowings		(15,145)	-
Net cash from financing activities		1,864,374	425,825
Net (decrease)/increase in cash & cash equivalents		180,842	(99,786)
Cash & cash equivalents at the beginning of the financial year		659,483	759,269
Cash & cash equivalents at the end of the financial year	5	840,325	659,483

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

First Growth Funds Limited
Notes to the Financial Statements
For the Year Ended 30 June 2017

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all of the year's presented unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001 as appropriate for for-profit orientated entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB'). The company is a public listed company, incorporated and domiciled in Australia.

Historical cost convention

The financial statements have been presented in Australian dollars and prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 18.

Going Concern

The financial statements have been prepared on a going concern basis which contemplates continuation of normal trading activities and realisation of assets and settlement of liabilities in the normal case of business.

New Revised or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the and Australian Accounting Standards Board (AASB) that are mandatory for the financial period. Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity. Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of First Growth Funds Limited ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. First Growth Funds Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the

First Growth Funds Limited
Notes to the Financial Statements
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impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of comprehensive income and statement of financial position of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

The Company currently has one operating segment.

Foreign currency translation

The financial report is presented in Australian dollars, which is First Growth Fund Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rate, which approximates the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

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Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and under and over provision in prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

First Growth Funds Limited has no wholly-owned Australian subsidiaries and has not formed an income tax consolidated group under the tax consolidation regime.

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associates. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current market prices.

Valuation

Trading securities are carried at fair value using price quotations in an active stock market.

Gains and Losses

Realised and unrealised gains and losses arising from changes in the fair value of trading securities are recognised in other comprehensive income in the statement of profit or loss in the period in which they arise.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mis-match. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss. The company's financial assets at fair value through profit or loss in the financial year were all held for trading financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised directly in the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; It becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised directly in the available-for-sale reserve.

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Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at nominal amounts and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowing.

Employee benefits

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Contributed equity

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of First Growth Funds Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

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

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

Amounts in this report have been rounded off in to the nearest dollar in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 which permits amounts to be rounded at least to the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events; management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Note 3. Revenue

	Consolidated	
	2017	2016
	\$	\$
<i>Revenue</i>		
Dividend Income	-	1,500
Interest Income	40,493	11,642
Net losses on financial assets at fair value through profit or loss	(139,089)	255,822
Revenue from operations	(98,596)	268,964
<i>Other income</i>		
Gain on disposal of Bluefish Technologies	-	352,908
Gain of associate accounted for using the equity method	-	56,005
	-	408,913

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Note 4. Income Tax Expense

	Consolidated	
	2017	2016
	\$	\$
<i>Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Loss before income tax expense from continuing operations	(872,389)	(481,824)
Tax at the Australian rate of 27.50% * (2016: 28.50%)	(239,907)	(137,320)

* The Australian Taxation Office has allowed companies with an aggregated turnover under \$10m to apply 27.50% tax rate from 1 July 2016.

Tax effect amounts which are not deductible/(taxable) in

Calculating taxable income:

Tax on Non-deductible expenses not recognised	90	-
Deferred tax asset not recognised	239,817	153,281
Share of loss of associate	-	(15,961)
Income tax expense	-	-

Potential tax benefits from tax losses have not been recognised as the directors do not believe the conditions for recovery can be met.

Note 5. Current assets – cash & cash equivalents

	Consolidated	
	2017	2016
	\$	\$
Cash at bank	840,325	659,483
	840,325	659,483

Note 6. Current assets – trade & other receivables

	Consolidated	
	2017	2016
	\$	\$
GST receivable	5,680	13,091
Convertible Notes receivable *	350,000	-
Interest receivable **	20,000	-
Other receivables	24,264	23,469
Total Accounts Receivable	399,944	36,560

* The \$350,000 was the payment on 13 January 2017 for Convertible Notes in Cloud Lumen Pty Ltd with a face value of \$0.03 per note and convertible on a 1 share for 1 note basis. Notional interest accrues on a cap of \$100,000 and payable on redemption or conversion notice only.

The Convertible Notes' redemption terms are as follows:

- Redeemable at any time pending on issue of a redemption notice by First Growth Fund or at maturity date which is 2 years after the subscription date or the occurrence of an early redemption event.

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The Convertible Notes' conversion terms are as follows:

- The Notes will be eligible for conversion at any time on conversion date. The Conversion date is the date which is no later than 5 business days after the date on which a conversion notice is provided by First Growth Fund.
- The Notes will be eligible for conversion on the occurrence of an Exit event which includes a listing event.

** The \$20,000 interest on Cloud Lumen's convertible notes was calculated under the effective interest method.

Note 7. Trading Investments

	Consolidated	
	2017	2016
	\$	\$
Listed Securities at fair value	530,000	244,300

The fair value of listed securities is established from quoted prices in the active market of the Australian Securities Exchange for identical assets in accordance with Level 1 of the fair value measurement hierarchy.

Note 8. Available For Sale Financial Assets

	Consolidated	
	2017	2016
	\$	\$
Convertible Notes at fair value *	350,000	-

* The \$350,000 was the payment on 21 December 2016 for Convertible Notes in Pearl Global Pty Ltd with a face value of \$1 per note and convertible on a 1 share for 1 note basis. No interest accrues. Conversion to shares is subject to IPO or an alternative transaction occurring within 12 months. If no such transactions proceed within 12 months the notes shall automatically convert to ordinary shares, subject to the terms outlined in the convertible note Binding Term Sheet.

The Convertible Notes' redemption terms are as follows:

- Redemption is subject to the conversion terms summarised below unless events of default mentioned in the Binding Term Sheet occurred.

The Convertible Notes' conversion terms are as follows:

- The Notes will be eligible for conversion if IPO transaction proceeds within 12 months after the date of the Binding Term Sheet.
- The Notes will be eligible for conversion if Alternative transaction proceeds within 12 months after the date of the Binding Term Sheet.
- The Notes will be eligible for conversion if IPO or Alternative transaction does not proceed within 12 months after the date of the Binding Term Sheet.

Details of the above terms are stated on the Binding Term Sheet.

Note 9. Current liabilities – trade & other payables

	Consolidated	
	2017	2016
	\$	\$
Trade payables	78,576	86,635
	78,576	86,635

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Note 10. Current liabilities – borrowings

	Consolidated	
	2017	2016
	\$	\$
Borrowings	-	15,145
	-	15,145

The secured loan was fully repaid in the previous financial year. It was secured by a fixed and floating charge over the group's investment in Bluefish Technologies Pty Ltd. As announced on 23 December 2015, a condition precedent for the potential acquisition of Public Democracy was the divestment of the company's investment in Bluefish Technologies Pty Ltd. This holding was transferred to the secured creditor on 17 December 2015 in return for all claims and security over FGF being released.

Note 11. Equity – contributed

	Consolidated			
	30/06/2017	30/06/2017	30/06/2016	30/06/2016
	No of	\$	No of	\$
	Ordinary		Ordinary	
	Shares		Shares	
Balance at the beginning of the financial period	516,920,050	54,787,864	446,444,834	54,362,039
20.02.16 Options exercised at \$0.008 each	-	-	3,051,041	24,409
31.05.16 Shares Issued at \$0.0066 each	-	-	67,424,175	445,000
25.07.16 Shares Issued at \$0.0066 each	66,212,102	437,000	-	-
01.08.16 Shares Issued at \$0.0066 each *	35,000,000	231,000	-	-
12.08.16 Shares Issued at \$0.0066 each	218,636,359	1,443,000	-	-
03.10.16 Shares Issued at \$0.0066 each	28,000,000	184,800	-	-
Less costs incurred from capital raising	-	(220,281)	-	(43,584)
Balance at end of Financial Period	864,768,511	56,863,383	516,920,050	54,787,864

* Shares issued to Directors and reported at their fair value.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may return capital to shareholders, issue new shares or sell assets to reduce debt. The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment.

The capital risk management policy remains unchanged from the 30 June 2016 Annual Report.

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Note 12. Share Based Payments

As part of the capital raising, the Directors received the following Shares at discounted price in exchange for their services provided to the company and the following share based payments of \$231,000 were calculated based on an issue price of \$0.0066 per share that was quoted for all other shareholders on when these shares were issued:

	Number of Shares Acquired	Fair Values on Market Price of \$0.0066	Cash Paid based on \$0.0010	Discount received \$0.0056
Michael Clarke	5,000,000	\$33,000	\$5,000	\$28,000
Athan Lekkas	15,000,000	\$99,000	\$15,000	\$84,000
Geoff Barnes	15,000,000	\$99,000	\$15,000	\$84,000
	35,000,000	\$231,000	\$35,000	\$196,000

Note 13. Equity – accumulated losses

	Consolidated 2017 \$	2016 \$
Accumulated losses at the beginning of the financial year	(54,245,648)	(53,763,824)
Loss after income tax expense for the year	(872,389)	(481,824)
Accumulated losses at the end of the financial year	(55,118,037)	(54,245,648)

Equity – dividends

There were no dividends paid during the current or previous financial year to the owners of First Growth Funds Limited.

	Consolidated 2017 \$	2016 \$
Franking credits available for subsequent financial years based on a tax rate of 27.50%	7,159	7,159

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 14. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a number of financial risks, including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity, mindful of the cost of such measures and the competing demands of other investment. Risks are monitored through the use of sensitivity analysis for

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interest rate and foreign exchange risks and aging analysis for credit risk.

The consolidated entity identifies and evaluates mitigation activities for risk and to develop policy for risk management across all consolidated entity operations pursuant to written risk management principles approved by the Board.

Financial Instruments as 30 June 2017	Carrying amount per the financial position
Financial Assets	
Financial assets at fair value through profit or loss	
- Listed securities	\$530,000
Loans and receivables	
- Convertible Notes (Cloud Lumen Pty Ltd)	\$370,000
Available for sale financial assets	
- Convertible Notes (Pearl Global Pty Ltd)	\$350,000
Financial Liabilities	
None	-

Market risk

Price risk

The consolidated entity is exposed to movements in the stock prices for those trading investments held at year end. Based on this exposure, had the share prices increased or decreased by 10% (2016: 10%) the impact on the consolidated entity's loss before tax and net assets would have been:

	Consolidated Impact on loss before tax	Impact on net assets
Increase by 10%	53,000	53,000
Decrease by 10%	(53,000)	(53,000)

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the consolidated entity's interest bearing financial assets and liabilities. The interest rate liability risk is unlike to arise from the fixed rate of the convertible notes. The consolidated entity has no financial assets or liabilities with variable interest rates so has no cash flow interest rate risk and all the consolidated entity's external borrowings are denominated in Australian dollars. The consolidated entity's only exposure to interest rate risk from the variable interest rate on cash at bank.

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument creating a financial loss. Credit risk arises from cash and cash equivalents, deposits with banks and through exposures to wholesale and retail customers.

The consolidated entity has a total exposure of \$720,000 on its convertible notes invested during the year.

Where credit is appropriate, ongoing credit evaluation is performed on the financial condition of customers including an allowance for impairment of receivables based on general trading conditions and experience in the market. Currently there has been no known credit risk or expected losses re the exposure of the receivable on Cloud Lumen's convertible notes.

Liquidity risk

Liquidity risk is the risk that the consolidated entity's operational performance will be adversely affected through the failure to satisfy an obligation for settlement of a financial transaction within contractual terms or

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that operational decisions made to ensure sufficient funding is available to meet such settlement will adversely affect the value of financial assets (including sale of financial assets at values less than their fair market values). The consolidated entity's predominant exposure to liquidity risk is through investments in overseas start-up businesses which can experience significant volatility whilst in their infancy.

The consolidated entity monitors liquidity risk through cashflow forecasting and manages risk through group management of funds, appropriate fund raisings and through establishing readily accessible standby facilities and other funding arrangements. The consolidated entity had access to a convertible note facility which has been fully drawn. During the financial year, the facility matured and was extended.

Remaining contractual maturities of financial liabilities

The following tables detail the consolidated entity's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	0 -6 month \$	6 month s – 1 year \$	Between 1 -2 years \$	Over 5 years \$	Between 2 – 5 years \$	Remaining contractual maturities \$
Consolidated - 2017							
Non-derivatives							
<i>Non-interest bearing</i>							
Trade payables	-	78,576	-	-	-	-	78,576
Total non-derivatives	-	78,576	-	-	-	-	78,576
Consolidated – 2016							
Non-derivatives							
<i>Non-interest bearing</i>							
Trade payables	-	86,635	-	-	-	-	86,635
Total non-derivatives	-	86,635	-	-	-	-	86,635

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments. Trading investments are carried at fair value and are level 1 instruments within the fair value hierarchy, as they are based on quoted prices in active markets at the measurement date.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other quoted prices within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for asset or liability that are not based on observable market data (unobservable inputs).

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Financial Instruments as 30 June 2017	Level 1	Level 2	Level 3
Financial assets at FVTPL			
- Securities in listed companies (held for trading)	530,000		
Loans and receivables			
- Convertible Notes in unlisted companies			370,000
Available for sale financial assets			
- Convertible Notes in unlisted companies			350,000

The investment in unlisted securities, being Public Democracy Pty Limited, are valued at fair value and are level 3 instruments within the fair value hierarchy, as there are no observable inputs. The directors have considered the available information regarding this investment and believe it is currently appropriate to recognise a fair value of nil.

Note 15. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by previous Auditor (BDO East Coast Partnership) and current Auditor (Pitcher Partners), the auditor of the company, and its related practices:

	Consolidated	
	2017	2016
	\$	\$
<i>Audit services -- BDO</i>	605	31,300
<i>Audit services – Pitcher Partners</i>	38,023	-
<i>Non-audit services – Pitcher Partners</i>	15,155	-
Audit or review of the financial report	53,783	31,300

Note 16. Key management personnel disclosures

Directors

The following persons were directors of First Growth Funds Limited during the financial year:

Athan Lekkas
Geoff Barnes
Michael Clarke

Other key management personnel

There were no other key management personnel.

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2017	2016
	\$	\$
Short-term employee benefits	284,440	154,500
Share based payments	196,000	-
	480,440	154,500

First Growth Funds Limited
Notes to the Financial Statements
For the Year Ended 30 June 2017

Note 17. Related party transactions

The following transactions occurred during the year with related parties:

	Consolidated	
	2017	2016
	\$	\$
Corporate advisory and secretarial services from Sparke Enterprises Pty Ltd (a related party of Michael Clarke)	-	1,500
Consulting services from Peloton Capital Pty Ltd (a related entity of Geoff Barnes)	101,400	136,300
Secretarial services from Peloton Advisory Pty Ltd (a related entity of Geoff Barnes)	15,400	-

Payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties

	Consolidated	
	2017	2016
	\$	\$
Peloton Advisory Pty Ltd	2,800	2,320
Retailink Pty Ltd	-	41,935

Note 18. Parent Entity Information

Set out below is the supplementary information about the parent entity.

	2017	2016
	\$	\$
Statement of profit or loss and other comprehensive income		
Loss for the year	<u>(872,389)</u>	<u>(481,824)</u>
Total comprehensive loss for the year	<u>(872,389)</u>	<u>(481,824)</u>
Statement of financial position		
Current assets	<u>2,120,269</u>	<u>940,343</u>
Total assets	<u>2,120,269</u>	<u>940,343</u>
Current liabilities	<u>78,576</u>	<u>101,780</u>
Total liabilities	<u>78,576</u>	<u>101,780</u>
Contributed equity	56,863,383	54,787,864
Share Option Reserve	296,347	296,347
Accumulated losses	<u>(55,118,037)</u>	<u>(54,245,648)</u>
Total Equity / (deficiency)	<u>2,041,693</u>	<u>838,563</u>

The parent company has not entered into any guarantees in relation to debts of its subsidiaries nor does it have any contingent liabilities as at 30 June 2017 and 30 June 2016. In addition the parent company has no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

Note 19. Events occurring after the reporting date

There has been no events that affect the financial report occurred after the reporting date.

First Growth Funds Limited
Notes to the Financial Statements
For the Year Ended 30 June 2017

Note 20. Cashflow Reconciliation

	2017	2016
	\$	\$
Reconciliation of the loss after tax to the net cash flows from operations		
Loss after income tax	(872,389)	(481,824)
Adjustments for Non-Cash Items		
- Share based payments	196,000	-
- Share of profit of associate		(56,005)
- Gain on disposal of equity accounted investment	-	(352,907)
Changes in operating assets and liabilities		
- Increase / (Decrease) in trade and other payables	(8,059)	62,341
- (Increase) / Decrease in trade and other receivables	(363,384)	(1,744)
- (Increase) / Decrease in trading and available for sale investments	(635,700)	304,528
Net cash outflow from operating activities	(1,683,532)	(525,611)

Note 21. Earnings per share

	Consolidated	
	2017	2016
	\$	\$
<i>Earnings per share from continuing operations</i>		
Loss after income tax	(872,389)	(481,824)
	Number	Number
	2017	2016
Weighted average number of ordinary shares used in calculating basic earnings per share	824,024,221	453,064,860
Weighted average number of ordinary shares used in calculating diluted earnings per share	824,024,221	453,064,860
	Cents	Cents
Basic and Diluted Loss per share	(0.106)	(0.106)

First Growth Funds Limited
Directors Declaration
For the Year Ended 30 June 2017


In the directors' opinion:

- The attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- The attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors



Geoff Barnes
Director

Sydney



PITCHER PARTNERS
ACCOUNTANTS • AUDITORS • ADVISORS

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Pitcher Partners is an association of independent firms
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KEN OGDEN
NIGEL FISCHER
TERESA HOOPER
MARK NICHOLSON
PETER CAMENZULI
JASON EVANS
IAN JONES
KYLIE LAMPRECHT
NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS
COLE WILKINSON
SIMON CHUN
JEREMY JONES

Independent Auditor's Report to the Directors of First Growth Funds Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of First Growth Funds Limited "the Company", which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
Fair Value of Financial Instruments <i>Refer to Notes 1, 7, 8 and 15 in the Annual Report</i>	
<p>First Growth Funds Limited invest in various financial instruments exposing it to a number of financial risks, including market risk, credit risk and liquidity risk. As at 30 June 2017 financial assets held for trading totalled \$580,000 and available for sale financial assets totalled \$350,000.</p> <p>We have focused on this area due to management judgement required to estimate fair value of available for sale financial assets.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Understanding and evaluating internal controls over the valuation of financial assets ▪ Reviewing the Portfolio Valuation Confirmations from third parties including the quantity of shares held and their market value at the reporting date ▪ Recalculating the fair value gain or (loss) recognised in profit or loss arising on the mark to market adjustments at the reporting date ▪ Performing testing over a sample of the investment transactions that occurred throughout the year to ensure they have been recorded accurately in the financial report, including realised / unrealised gains (losses) ▪ Obtaining the Statement of Transactions subsequent to the reporting date to ensure the completeness of assets for any unsettled trades as at the reporting date ▪ Assessing management's judgements and estimates in determining the fair value of investments held in unlisted entities ▪ Reviewing disclosures to the financial statements

Other Information

The directors are responsible for the other information. The other information comprises the Operating Financial Report, Director's Report, Corporate Governance Statement and ASX Information which was obtained as at the date of our audit report, and any additional other information that will be included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a

material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the additional other information in the Annual Report not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgment to determine the appropriate action to take.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 9 of the directors' report for the year ended 30 June 2017. In our opinion, the Remuneration Report of First Growth Funds Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Pitcher Partners

PITCHER PARTNERS



NIGEL BATTERS

Partner

Dated: 30 August 2017

First Growth Funds Limited
ASX Information
For the Year Ended 30 June 2017

Shareholding as at 28 August 2017

Holdings Ranges	Holders	Ordinary shares
1 to 1,000	50	12,365
1,001 to 5,000	32	104,699
5,001 to 10,000	15	112,936
10,001 to 100,000	57	3,610,988
100,001 and over	169	860,927,523
	323	864,768,511

Holding less than a marketable parcel	146
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Unquoted Equity Securities

	Number of holders	Number on Issue
Series "B" Expiry Feb 2018	50	272,866,800

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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

There are no other classes of equity securities.

Substantial Shareholding

The names of the substantial shareholders listed in the holding Company's register are:

Shareholder:	Number of shares held
GEBA PTY LTD <GEBA FAMILY A/C>	100,200,000
SAYERS INVESTMENTS (ACT) PTY LIMITED <THE SAYERS INVEST NO 2 A/C>	47,272,727

First Growth Funds Limited
ASX Information
For the Year Ended 30 June 2017

Top 20 shareholders as at 28 August 2017

Rank	Name	Address	Units	% of Units
1.	GEBA PTY LTD <GEBA FAMILY A/C>	GPO BOX 5458, SYDNEY NSW, 2001	100,200,000	11.59
2.	SAYERS INVESTMENTS (ACT) PTY LIMITED <THE SAYERS INVEST NO 2 A/C>	PO BOX 416, HALL ACT, 2618	47,272,727	5.47
3.	AEGIAN PAL PTY LTD <ELPIDA SUPER FUND A/C>	PO BOX 701, NORTH ADELAIDE SA, 5006	45,796,727	5.30
4.	RED AND WHITE HOLDINGS PTY LTD <BLOOD SUPER FUND A/C>	PO BOX 701, NORTH ADELAIDE SA, 5006	45,143,656	5.22
5.	DALEXT PTY LTD <DALEXT UNIT A/C>	PO BOX 246, PROSPECT SA, 5082	34,472,727	3.99
6.	AS & JR LIBBIS PTY LIMITED <LIBBIS FAMILY A/C>	4 EDGECLIFFE AVENUE, SOUTH COOGEE NSW, 2034	29,500,000	3.41
7.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	PO BOX R209, ROYAL EXCHANGE NSW, 1225	28,875,839	3.34
8.	GXB PTY LTD	GPO BOX 5458, SYDNEY NSW, 2001	28,000,000	3.24
9.	LITTLE BREAKAWAY PTY LTD	PO BOX 359, KIAMA NSW, 2533	25,472,727	2.95
10.	ETHAN ALLEN INVESTMENTS PTY LTD <ETHAN ALLEN INVEST UNIT A/C>	C/- PELOTON CAPITAL, LEVEL 5 56 PITT STREET, SYDNEY NSW, 2000	18,000,000	2.08
11.	BENEFICO PTY LTD	120 SECOND AVENUE, MOUNT LAWLEY WA, 6050	17,666,667	2.04
12.	AH SUPER PTY LTD <THE AH SUPER FUND A/C>	36 CROWN STREET, WYNNUM QLD, 4178	15,151,515	1.75
13.	GEOFFREY CHEN	PARKVIEW APT 0155, TOWER 8, 88 TAI TAM RESERVOIR, HONG KONG	13,825,757	1.60
14.	MUNGALA INVESTMENTS PTY LTD	79 MERTON STREET, ALBERT PARK VIC, 3206	13,692,865	1.58
15.	MR THEO CHRISTAKOS + MR ARGYRIOS CHRISTAKOS	21 KINTORE AVENUE, KILBURN SA, 5084	13,000,000	1.50
16.	KORE CAPITAL PTY LTD	25/16-18 EASTBOURNE ROAD, DARLING POINT NSW, 2027	13,000,000	1.50
17.	NINKASI PTY LIMITED <NINKASI SUPERFUND A/C>	42 MEDUSA STREET, MOSMAN NSW, 2088	13,000,000	1.50
18.	NOBLE INVESTMENTS SUPERANNUATION FUND PTY LTD <NOBLE INV S/F TOL ALL A/C>	GPO BOX 1572, ADELAIDE SA, 5001	12,987,677	1.50
19.	CALABRIA ENTERPRISES PTY LTD	174 STURT STREET, ADELAIDE SA, 5000	12,933,362	1.50
20.	NOBLE INVESTMENTS SUPERANNUATION FUND PTY LTD <NOBLE INV S/F TOL LTC A/C>	GPO BOX 1572, ADELAIDE SA, 5001	12,393,727	1.43
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES			540,385,973	62.49
Total Remaining Holders Balance			324,382,538	37.51

Company Secretary

The name of the Company Secretary is Mrs Julie Edwards

Registered Office

The address of the registered is Level 5, 56 Pitt Street, Sydney NSW 2000.

Share Registry

The share registry of First Growth Funds Limited is:

Computershare Investor Services
452 Johnstone Street
Abbotsfield VIC 3067