

First Growth Funds Limited

ABN 34 006 648 835



Interim Report 31 December 2015

**First Growth Funds Limited
Directors' Report
31 December 2015**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of First Growth Funds Limited (referred to hereafter as the 'company', 'parent entity' or 'FGF') and the entities it controlled for the half-year ended 31 December 2015.

These financial statements cover the period from 1 July 2015 to 31 December 2015.

Principal activities

The Company has been continuing to operate as a Listed Investment Company for the half year ended 31 December 2015 with the objectives of the Company being to acquire 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 half-year and up to the date of this report:

Geoff Barnes	Chairman – Non Executive
Athan Lekkas	Non-Executive Director
Michael Clarke	Non-Executive Director

Company Secretary

Frances Notman (appointed 16 July 2015)

Operating Results

The net loss of the company after income tax for the period was \$127,633 (2014: loss \$165,188).

Review of Operations

The following provides a summary of First Growth Fund's activities and achievements during the course of the half year:

The recent history of FGF as an investment company has seen it investing predominantly in unlisted technology based startup companies and listed securities on the ASX.

On 6 October 2015, FGF announced it had entered into a binding term sheet to acquire 100% of Public-Democracy Pty Ltd (PD). However, whilst undertaking its due diligence process, including better understanding the markets Public Democracy operates in, it has become apparent that it may be more commercially advantageous for the Public Democracy business to operate in a private environment rather than in the listed company environment whilst it implements the next stage of its growth plans. As a result it has been agreed to alter the terms of the original deal as set out below.

On the 23rd December, the Company divested its investment in the unlisted business Bluefish Technologies. This holding has now been transferred to the secured creditor in return for all claims and security over FGF being released.

Significant Changes in the State of Affairs

In the opinion of the Directors all significant changes in the state of affairs of the Company are set out in the Review of Operations

Subsequent Events

On 9 February 2016, Boards of both FGF and PD have agreed to vary the original Australian transaction as noted above. FGF will receive 2,200,000 fully paid shares in PD (representing approximately 2% of the expanded capital in PD) in exchange for the Exclusivity payments totaling \$440,000 that FGF had committed to pay.

FGF will continue to actively support the growth of the PD business plan through its network in Australia and internationally, to achieve an increased value for all shareholders. The Directors of FGF and PD will continue to work together, with a re-focus on the US enterprise.

This course of action will free up time and resources and enable PD to concentrate further on achieving the strongest possible outcome for all parties.

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 the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A large, stylized handwritten signature in black ink, appearing to read 'Geoff Barnes', is written over the text 'On behalf of the directors'.

Geoff Barnes
Director

26 February 2015

DECLARATION OF INDEPENDENCE BY RICHARD DEAN TO THE DIRECTORS OF FIRST GROWTH FUNDS LIMITED

As lead auditor for the review of First Growth Funds Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of First Growth Funds Limited and the entities it controlled during the period.



Richard Dean
Partner

BDO East Coast Partnership

Melbourne, 26 February 2016

First Growth Funds Limited
Financial Report
For the half-year ended 31 December 2015

Contents	Page
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10-13
Directors' declaration	14
Independent auditor's review report to the members of First Growth Funds Limited	15

General information

The half year financial report covers First Growth Funds Limited as a consolidated entity consisting of First Growth Funds Limited and the entities it controlled at the end of, or during the half-year. The financial report is presented in Australian dollars, which is First Growth Funds Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

First Growth Funds Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 5
56 Pitt Street
Sydney NSW 2000

The financial report was authorised for issue, in accordance with a resolution of directors, on 26 February 2015.

First Growth Funds Limited
Statement of Profit or loss and other Comprehensive Income
For the half year ended 31 December 2015

		Consolidated	
	Note	31/12/2015	31/12/2014
		\$	\$
Income			
Revenue	3	352,907	-
Other Income	3	278,658	3,677
Expenses			
Share of profit of associate accounted for using the equity method		56,005	16,288
Professional Fees and Costs arising from the Administration and Deed of Company Arrangement		-	(131,385)
Acquisition related costs	7	(440,000)	-
Professional Fees		(100,095)	-
ASX Fees		(16,480)	(27,500)
Share Registry Fees		(9,379)	(4,159)
Employee Expenses		(85,750)	(5,640)
Travel Costs		(47,733)	-
AFSL support costs		(37,000)	-
Secretarial Costs		(41,000)	-
Other expenses		(37,766)	(16,469)
Loss before income tax expense		(127,633)	(165,188)
Income tax expense		-	-
Loss after income tax expense from continuing operations		(127,633)	(165,188)
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		(127,633)	(165,188)
Loss for the half-year is attributable to:			
Owners of First Growth Funds Limited		(127,633)	(165,188)
Total comprehensive income for the half-year is attributable to:			
Owners of First Growth Funds Limited		(127,633)	(165,188)

		Consolidated	
	Note	31/12/2015	31/12/2014
		Cents	Cents
Earnings per share for loss attributable to the owners of First Growth Funds Limited			
Basic loss per share	9	(0.03)	(0.06)
Diluted loss per share	9	(0.03)	(0.06)

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 31 December 2015

		Consolidated	
	Note	31/12/2015	30/06/2015
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	8(a)	317,053	759,269
Trade and Other Receivables		164,000	34,816
Deposits for Trading Investments		25,000	210,000
Trading Investments		418,405	338,828
Total current assets		<u>924,458</u>	<u>1,342,913</u>
Non-current assets			
Investments accounted for using the equity method	4	-	391,088
Total non-current assets		<u>-</u>	<u>391,088</u>
Total assets		<u>924,458</u>	<u>1,734,001</u>
Liabilities			
Current liabilities			
Trade and other payables		157,529	39,439
Borrowings	5	-	800,000
Total current liabilities		<u>157,529</u>	<u>839,439</u>
Total liabilities		<u>157,529</u>	<u>839,439</u>
Net assets		<u>766,929</u>	<u>894,562</u>
Equity			
Contributed equity	6	54,362,039	54,362,039
Share Option Reserve		296,347	296,347
Accumulated losses		<u>(53,891,457)</u>	<u>(53,763,824)</u>
Total equity		<u>766,929</u>	<u>894,562</u>

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 half-year ended 31 December 2015

	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 half-year	-	-	(127,633)	(127,633)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(127,633)	(127,633)
Balance at 31 December 2015	54,362,039	296,347	(53,891,457)	766,929

	Contributed Equity \$	Share Option Reserve \$	Accumulated Losses \$	Total Equity \$
Consolidated				
Balance at 1 July 2014	53,125,154	-	(53,582,202)	(457,048)
Loss after income tax expense for the half-year	-	-	(165,188)	(165,188)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(165,188)	(165,188)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	1,533,168	-	-	1,533,168
Balance at 31 December 2014	54,658,322	-	(53,747,390)	910,932

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 half-year ended 31 December 2015

		Consolidated	
	Note	31/12/2015	31/12/2014
		\$	\$
Cash flows from operating activities			
Proceeds from trading investments		2,336,678	-
Payments for trading investments		(2,062,019)	-
Payments for acquisition related costs		(340,000)	-
Dividends received		1,500	-
Payments to suppliers and employees (inclusive of GST)		(386,296)	(128,110)
Interest received		7,921	3,677
Net cash used in operating activities	8(b)	<u>(442,216)</u>	<u>(124,433)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	1,533,168
Net cash from financing activities		<u>-</u>	<u>1,533,168</u>
Net (decrease)/increase in cash and cash equivalents		(442,216)	1,408,735
Cash and cash equivalents at the beginning of the financial half-year		<u>759,269</u>	<u>143,572</u>
Cash and cash equivalents at the end of the financial half-year	8(a)	<u>317,053</u>	<u>1,552,307</u>

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

Note 1. Significant accounting policies

1. Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting as appropriate for for-profit entities. Compliance with AASB134 ensures that the financial statements and notes also comply with International Financial Reporting Standard IAS34 Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of First Growth Funds Limited. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2015, together with any public announcements made during the half-year.

The same accounting policies have been followed in this interim financial report as were applied in the most recent annual financial statements and corresponding interim reporting period.

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 Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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.

If the entity is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than through the ordinary course of business and at amounts different to those stated in the financial report. The report does not include any adjustment relating to the recoverability and classification of asset carrying amounts or the amounts of liabilities that might result should the entity be unable to continue as a going concern and meet its debts as and when they become payable.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity operates in only one segment being that of an Investment company in Australia.

The operating segment is based on the internal reports that are reviewed and used by the executive management team (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

First Growth Funds Limited
Notes to the Financial Statements
31 December 2015

Note 3. Revenue and other Income

	Consolidated	
	31/12/2015	31/12/2014
	\$	\$
<i>Revenue</i>		
Trading Income	269,237	-
Dividend Income	1,500	-
Interest	7,921	3,677
Revenue from operations	<u>278,658</u>	<u>3,677</u>
<i>Other Income</i>		
Gain on disposal of Bluefish Technologies	<u>352,907</u>	<u>-</u>

Note 4. Investments accounted for using the equity method

	Consolidated	
	31/12/2015	30/06/2015
	\$	\$
Investment in Bluefish Technologies		
Opening balance	391,088	300,459
Share of profit for the period	56,005	90,629
Disposal of investment in Bluefish Technologies	(447,093)	-
Total	<u>-</u>	<u>391,088</u>

Note 5. Borrowings

	Consolidated	
	31/12/2015	30/06/2015
	\$	\$
Secured loan	-	800,000
	<u>-</u>	<u>800,000</u>

The secured loan was secured by a fixed and floating charge over the parent entity'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. This holding was transferred to the secured creditor on 17 December 2015 in return for all claims and security over FGF being released.

Note 6. Equity - contributed

	Consolidated		Consolidated	
	31/12/2015	31/12/2015	30/06/2015	30/06/2015
	No of	\$	No of	\$
	Ordinary		Ordinary	
	Shares		Shares	
Balance at the beginning of the financial period	446,444,834	54,362,039	248,570,316	53,125,154
5/9/2014 New shares issued at \$0.0001 each	-	-	28,000,000	2,800
13/2/2015 New shares Issued at \$0.01 per share	-	-	152,866,800	1,528,668
13/2/2015 New incentive shares Issued at \$0.0001 per share	-	-	17,000,000	1,700
12/3/2015 Exercise of listed options	-	-	4,785	41
12/5/2015 Exercise of listed options	-	-	2,933	23
Less costs incurred from capital raising	-	-	-	(296,347)
Total contributed equity at the end of the period	446,444,834	54,362,039	446,444,834	54,362,039

Note 7: Events occurring after the reporting period

On 9 February 2016, Boards of both FGF and Public Democracy Pty Ltd (PD) agreed to vary the original transaction announced on 6 October 2015 whereby FGF was to acquire 100% of PD. Under the new agreement FGF will receive 2,200,000 fully paid shares in PD (representing approximately 2% of the expanded capital in PD) in exchange for the Exclusivity payments totaling \$440,000 to which FGF had committed to pay at 31 December 2015.

FGF will continue to actively support the growth of the PD business plan through its network in Australia and internationally, to achieve an increased value for all shareholders. The Directors of FGF and PD will continue to work together, with a re-focus on the US enterprise.

This course of action will free up time and resources and enable PD to concentrate further on achieving the strongest possible outcome for all parties.

Note 8: Notes to statement of cash flows

	Consolidated	
	31/12/2015	31/12/2014
	\$	\$
(a) Reconciliation of cash		
Cash at bank and on hand	317,053	1,552,307
(b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(127,633)	(165,188)
Adjustments for:		
- Share in profit of Associate	(56,005)	(16,288)
- Gain on disposal of Bluefish technologies	(352,907)	-
Changes in operating assets and liabilities:		
- Increase in creditors and accruals	118,090	74,660
- Increase in receivables	(129,184)	(17,617)
- Decrease in Investments	105,423	-
Net cash used in operating activities	(442,216)	(124,433)

Note 9. Earnings per share

	Consolidated	
	31/12/2015	31/12/2014
Operating loss after income tax used in the calculation of basic and diluted loss per share	(127,633)	(165,188)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted earnings per share	446,444,834	266,722,949
	cents	cents
Basic loss per share	(0.03)	(0.06)
Diluted loss per share	(0.03)	(0.06)

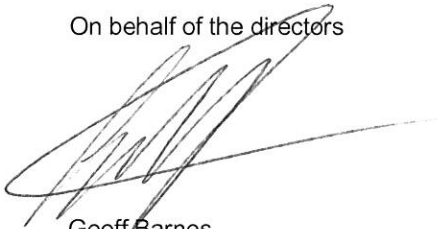
First Growth Funds Limited
Directors Declaration
31 December 2015

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

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

Geoff Barnes
Director

26 February 2016

Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of First Growth Funds Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of First Growth Funds Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of First Growth Funds Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Basis for Qualified Conclusion

Investment in Bluefish Technologies

First Growth Funds Limited investment in Bluefish Technologies was disposed of during the period and a gain on disposal of \$352,907 was recorded. This was calculated after recognising First Growth Funds Limited's share of Bluefish Technologies net gain of \$56,005 (2014: \$16,288) for the period in the statement of comprehensive income for the half year then ended. We were unable to obtain sufficient appropriate audit evidence about First Growth Funds Limited's share of Bluefish Technologies net profit for the period or the calculated gain on disposal because management were unable to obtain access to the financial information of the associate to allow us to satisfy ourselves as to the appropriateness of this information for use in First Growth Funds Limited's financial report. Consequently, we were unable to determine whether any adjustments to either the gain on disposal or the share of profit were necessary.

Conclusion

Based on our review, which is not an audit, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, we have not become aware of any matter that makes us believe that the half-year financial report of First Growth Funds Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

BDO

Richard Dean
Partner

Melbourne, 26 February 2016