

# Appendix 4E

## Full Year Report 30 June 2014

**Ozgrowth Limited**

ABN 52 126 450 271

### Results for announcement to the market

<i>Extracts from this report for announcement to the market</i>	<b>Movement</b>	<b>June 2014 \$</b>	<b>June 2013 \$</b>
Revenue from ordinary activities	97 times	18,203,646	185,769
Profit/(Loss) from ordinary activities after tax attributable to members	n.a.	10,661,804	(44,910)
Net Profit/(loss) for the period attributable to members	n.a.	10,661,804	(44,910)

<b>Dividends/distributions</b>	Amount per security	Franked amount per security
Final dividend	0.75 Cent	0.75 Cent
Interim dividend	0.75 Cents	0.75 Cents

Record date for determining entitlements to the dividend

11 August 2014

Dividend payable date

25 August 2014

<b>Net Tangible Asset Backing</b>	June 2014	June 2013
Net tangible asset backing per ordinary security	22.6 cents	21.1 cents

**OZGROWTH LIMITED**

**A.B.N. 52 126 450 271**

**ANNUAL REPORT**

**For the Year Ended 30 June 2014**

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## **CORPORATE DIRECTORY**

### **REGISTERED OFFICE**

Level 18, Alluvion  
58 Mounts Bay Road  
PERTH WA 6000

Telephone: (08) 9321 7877

Facsimile: (08) 9321 8288

Website: [www.ozgrowth.com.au](http://www.ozgrowth.com.au)

### **AUDITORS**

Ernst & Young  
11 Mounts Bay Road  
PERTH WA 6000

### **BANKERS**

Westpac Banking Corporation  
109 St George's Terrace  
PERTH WA 6000

### **SHARE REGISTRY**

Computershare Investor Services Pty Ltd  
Level 2, 45 St Georges Terrace  
PERTH WA 6000

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

### **BOARD OF DIRECTORS**

**Jay Hughes**

Non Executive Chairman

**Philip Rees**

Executive Director, Company Secretary

**Dermot Woods**

Non Executive Director

**Stephen Tucker**

Non Executive Director

**Michael Jefferies**

Non Executive Director

## CHAIRMAN'S REPORT AND THE PERIOD IN REVIEW

On behalf of my fellow Directors, I am pleased to provide the 2014 Annual Report for the Company, my first in the role of Chairman.

Significant results of the year include:

- A net profit after tax of \$10,661,804 was generated. This compares to a net loss after tax in the prior year of \$44,910;
- A final dividend of 0.75 cents per share has been provided for in respect of the 2014 financial year (2013: 1.0 cents). An interim dividend of 0.75 cents per share was paid in February 2014 (2013: 0.5 cents);
- Net tangible assets per share after allowance for tax on unrealised profits/losses (NTA) moved from 21.1 cents to 22.6 cents after allowance for the 1.5 cent per share dividend over the period. These figures are calculated by dividing the total net assets as set out in the Statement of Financial Position by the number of ordinary shares on issue as at the reporting date and is after allowance for dividends and all costs and tax on unrealised gains in our investment portfolio.;

For more detailed information on the investment performance and portfolio of the Company, I refer you to the Investment Manager's Report on page 5.

The 2014 financial year saw a welcome return to profitability for our company. Whilst market conditions remained challenging in our area of focus, our portfolio has been able to produce a satisfactory return.

The 2014 year also saw a continuation of our strategy to enhance overall shareholder returns by emphasising the payment of a consistent dividend stream to investors. We have now met our targeted dividend payments over the last two years (1.5 cents in each of the 2013 and 2014 financial years) and have indicated a continuation of the payments in the coming year, again targeting a 1.5 cent per share dividend payment per share.

We believe that the delivery of these dividends has contributed to a closing of the gap between our net asset value per share and the prevailing share price.

The year also saw a number of changes to your Board, with myself stepping into the role of Chairman and Dermot Woods and Stephen Tucker joining as new directors. The Board remains committed to ensuring our investment returns continue and investor expectations are met.

I encourage shareholders and other interested parties to participate in our shareholder communication program. If you have not already done so, you can register for our regular email updates at our website: [www.ozgrowth.com.au](http://www.ozgrowth.com.au). We hope to provide useful information on our activities throughout the year and welcome feedback to enhance this.

I look forward to reporting on results as we move forward.

Yours sincerely



**JAY HUGHES**  
Chairman

**ABOUT OZGROWTH**

- Ozgrowth Limited is a listed investment company (ASX code: OZG) that focuses on producing a positive return on funds invested.
- It was formed on 9 July 2007 and raised its initial capital for investment in December 2007. As at 30 June 2014, it had \$85,034,101 of assets invested.
- The company has appointed Westoz Funds Management Pty Ltd as manager to oversee the investment of its portfolio of assets. This manager is a wholly owned subsidiary of Euroz Limited, a listed company that also operates a stock-broking business based in Western Australia.
- The investment mandate set is to identify undervalued companies listed on the Australian Securities Exchange and to invest to produce a positive return. Because of the geographic location of the manager, it is anticipated that the majority of situations identified will have a connection to Western Australia and will have a market capitalisation of less than \$1,000 million.
- Ozgrowth Limited will consider investments in small companies, as well as suitable unlisted opportunities.
- The manager is paid a base fee of 1% per annum of funds managed. In addition, where performance exceeds 7% over a twelve month period to the end of June, a performance fee is paid to the manager.

## Investment Manager's Report

### Portfolio Return

The Company invests in small to mid-sized companies, generally listed on the Australian Securities Exchange and with some connection to Western Australia. The portfolio of assets is managed to generate a positive return regardless of movements in the broader equity market.

To assist in an assessment of performance, the rate of return before fees and taxes is calculated. The figure is calculated by dividing the gain (or loss) in value of the portfolio, net of external flows, by the average portfolio value over the period of measurement. Portfolio value is determined by reference to current market value of underlying investments. Monthly periods are used and then geometrically linked to arrive at an annual return. This figure is not audited.

The last twelve months of investment activity generated an investment return of 24.1% before allowance for fees and taxes (2013: -0.2%).

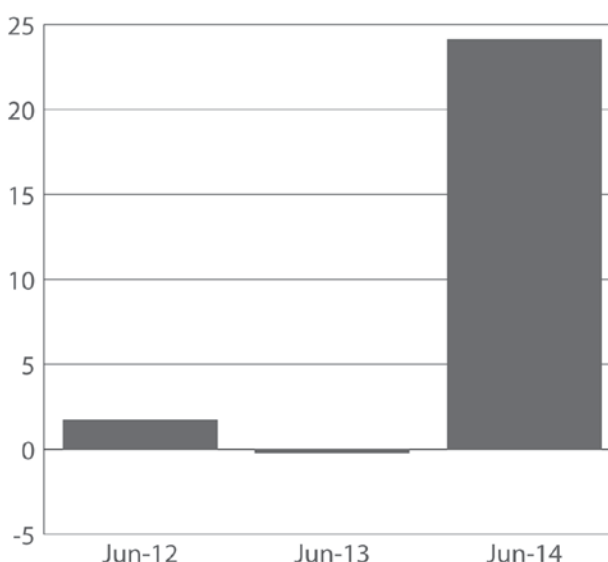
It is the objective of the manager to produce positive investment returns over the medium to long term, thereby boosting the net asset backing per share (NTA) and allowing for the payment of dividends.

The figures presented for information regarding NTA are on a per share basis and after allowance for all realized and unrealized costs, dividends and provision is made for tax payable on unrealised gains.

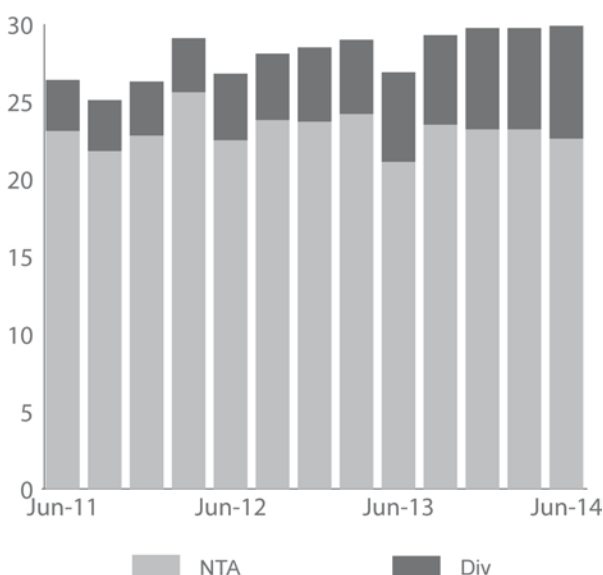
At 30 June 2014, the net assets per share was 22.6 cents (2013: 21.1 cents).

At 30 June 2014, a provision for payment of 0.75 cent per share by way of dividend was made. This dividend is expected to be paid in August 2014. At 30 June 2013 provision for a 1.0 cent per share dividend was made.

Portfolio Performance (%)



Net Assets per share (¢)



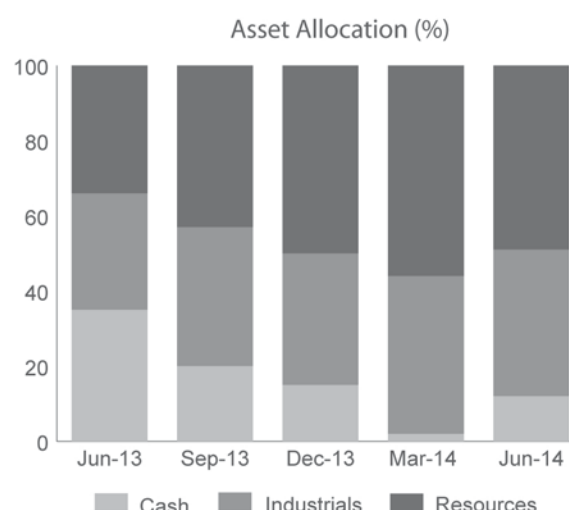
## Asset Allocation

Investment activity commenced in January 2008 with a portfolio consisting entirely of cash.

11% of assets were held in cash at 30 June 2014.

The Company may hold significant cash levels from time to time if suitable equity investments are not available.

Within the equity component of the portfolio, resource stocks represented 55%, with industrial stocks 45%



## Investment Portfolio

Resources	Number of Shares	Fair value at 30 June 2014
Aquarius Platinum Limited	2,200,000	924,000
Aquila Resources Limited	2,330,111	7,875,775
Atlas Iron Limited	3,500,000	2,205,000
Flinders Mines Limited	35,000,000	700,000
Indophil Resources NL	10,000,000	1,550,000
Medusa Mining Limited	2,500,000	4,600,000
Metals X Limited	5,000,000	1,275,000
Mount Gibson Iron Limited	9,150,000	6,313,500
Northern Iron Limited	8,491,513	1,188,812
Red Hill Iron Limited	1,345,000	2,219,250
Sino Gas & Energy Holdings Limited	4,000,000	640,000
Sundance Energy Australia Limited	4,228,084	4,883,437
Tap Oil Limited	8,811,704	4,493,969
Teranga Gold Corporation	3,000,000	2,055,000
Troy Resources Limited	600,000	639,000
		<b>41,562,743</b>

Industrials	Number of Shares	Fair value at 30 June 2014
Automotive Holdings Group Limited	1,500,000	5,475,000
Cedar Woods Properties Limited	2,365,107	17,217,979
Finbar Group Limited	2,280,000	3,693,600
Fleetwood Corporation Limited	800,780	1,857,810
MACA Limited	900,000	1,660,500
Moboom Limited	1,544,082	386,021
NRW Holdings Limited	1,550,000	1,426,000
Southern Cross Electrical Engineering Ltd	2,491,979	1,208,610
Swick Mining Services Ltd	3,500,000	910,000
		<b>33,835,519</b>
Cash, net of outstanding settlements		<b>9,635,839</b>
Total		<b>85,034,101</b>

## Outlook

As we enter the 2015 financial year, we leave a two year period behind us of relatively strong equity market performance. We believe valuation gaps have opened up between the better performing stocks and a number of those in our area of focus, particularly in situations that are generating significant cash despite a retracement of commodity prices.

We continue to believe that our emphasis on investments with a connection to Western Australia will generate the desired levels of return on our portfolio.



## **DIRECTORS' REPORT**

### **For the Year Ended 30 June 2014**

Your directors submit their report for the year ended 30 June 2014.

#### **1. DIRECTORS**

The names of the directors of the Company in office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated

Jay Hughes  
Philip Rees  
Dermot Woods (appointed 5 November 2013)  
Michael Jefferies  
Stephen Tucker (appointed 3 June 2014)  
Peter Diamond (resigned 29 October 2013)

##### **Jay Hughes, Non Executive Chairman**

Mr Hughes is a Non Executive Director of the Company, and serves on the Company's Audit Committee. He is an Executive Director of Euroz Limited (appointed 20 November 2000) and Non Executive Director of Westoz Investment Company Limited (appointed 11 March 2005). Mr Hughes holds a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia. He was recognized as an affiliate of ASX in December 2000 and was admitted in May 2004 as a Practitioner Member (Master Stockbroking) of the Stockbrokers Association of Australia.

##### **Philip Rees, Executive Director/Company Secretary**

Mr Rees is Executive Director and Company Secretary of the Company. He is also Executive Director of Westoz Investment Company Limited (appointed 11 March 2005) and Executive Director of Westoz Funds Management Pty Ltd, the manager of the Company's assets. Mr Rees has a Bachelor of Commerce Degree and is a Chartered Financial Analyst. He is also a Senior Fellow of the Financial Services Institute of Australia, a Certified Practicing Accountant and a Fellow of the Chartered Institute of Secretaries.

##### **Dermot Woods, Non Executive Director**

Mr Woods is a Non Executive Director of the Company and serves on the Company's Audit Committee. He is also a Non Executive Director of Ozgrowth Limited (appointed 5 November 2013) and an Executive Director of Westoz Funds Management Pty Ltd, the manager of the Company's assets. Mr Woods has a Bachelor of Commerce Degree and is a Chartered Financial Analyst.

##### **Mr Michael Jefferies, Non Executive Director**

Mr Jefferies is a Non Executive Director of the Company, and serves on the Company's Audit Committee. He currently is Chairman of Touch Holdings Limited (appointed 28 June 2004) and a Non Executive Director of Resimac Limited (appointed 1 April 2014) and was formerly a director of Tower Limited (appointed 19 December 2006, resigned 5 February 2014), Capral Limited (appointed 6 November 2008, resigned 15 April 2013), ClearView Wealth Limited (appointed 4 November 2008, resigned 11 October 2012), Australian Wealth Management Limited (appointed 29 October 2004, resigned 24 April 2007), Metals X Limited (appointed 14 June 2004, resigned 10 May 2012) and Tower Australia Limited (appointed 8 August 2006, resigned 8 August 2008). Mr Jefferies is a Chartered Accountant and holds a Bachelor of Commerce Degree.

##### **Mr Stephen Tucker, Non Executive Director**

Mr Tucker is a Non Executive Director of the Company and serves on the Company's Audit Committee. He is also a Non Executive Director of Westoz Investment Company Limited (appointed 3 June 2014) and Westoz Funds Management Pty Ltd, the manager of the Company's assets. Mr Tucker is a Non Executive Director of Vocation Limited (appointed 6 November 2013) and the Banking and Finance Oath. He is a Fellow of the Financial Services Institute of Australia and a member of the Australian Institute of Company Directors. Mr Tucker holds a Bachelor of Economics from The University of Western Australia.

## **DIRECTORS' REPORT (CONT'D)**

### **For the Year Ended 30 June 2014**

#### **1. DIRECTORS (cont'd)**

##### **Peter Diamond**

Mr Diamond was the Non Executive Chairman of the Company (resigned 28 October 2013). He was also the Executive Chairman of Euroz Limited (appointed 20 November 2000, resigned 30 October 2013) and Non Executive Chairman of Westoz Investment Company Limited (appointed 11 March 2005, resigned 29 October 2013). Mr Diamond holds a Bachelor of Business Degree and is a Member of Certified Practising Accountants Australia.

#### **2. DIRECTORS' MEETINGS**

The number of meetings of directors (including meetings of committees of directors) held during the year ended 30 June 2014 and the numbers of meetings attended by each director were as follows:

	<b>Directors' Meetings Held During Period</b>	<b>Directors' Meetings Attended During Period</b>	<b>Audit Committee Meetings Held During Period</b>	<b>Audit Committee meetings Attended During Period</b>
Peter Diamond	2	2	1	1
Philip Rees	8	8	-	-
Dermot Woods	6	6	-	-
Stephen Tucker	1	1	-	-
Jay Hughes	8	7	2	1
Michael Jefferies	8	8	2	2

Due to the size of the Board and the nature of the Company's operations, it does not have a separate Remuneration Committee or Nomination Committee. Matters normally considered by these committees are addressed by the full board.

Board of Directors' and Audit Committee meetings require that any two Directors or members be present to form a quorum.

#### **3. PRINCIPAL ACTIVITY AND NATURE OF OPERATIONS**

During the year, the principal activity of the economic entity was as an investment company.

#### **4. OPERATING RESULTS**

For the year ended 30 June 2014, the company made an operating profit after tax of \$10,661,804 (2013: loss of \$44,910).

#### **5. DIVIDENDS**

An interim dividend of \$2,696,487 (0.75 cents per share) was paid on 15 February 2014 (2013: \$1,795,128).

The Board of Directors has recommended that a final dividend of \$2,696,487 (0.75 cents per share) be paid in respect of the 2014 financial year. This amount is provided in the 30 June 2014 financial statements (2013: \$3,595,316).

#### **6. REVIEW OF OPERATIONS**

The financial results of the company are driven by the gain or loss on its investment portfolio, which consists primarily of securities listed on the Australian Stock Exchange and short term cash deposits. Whilst the investment objective for the portfolio is to generate positive returns over the medium to long term, short term fluctuations in the broader equity market will influence results.

## **DIRECTORS' REPORT (CONT'D)**

### **For the Year Ended 30 June 2014**

#### **6. REVIEW OF OPERATIONS (cont'd)**

Apart from movements in the broader equity market, the key driver of income for the Company will be the manager's ability to select appropriate investments. The majority of expenses are directly linked to the value of the portfolio managed and the level of return achieved.

For further information on the Company's operations, a Chairman's Report and Investment Managers Summary is included on pages 3 to 6 of this Annual Financial Report. This, together with the sections headed "Significant Changes in State of Affairs" and "Events Subsequent to Balance Date", provide a review of operations of the Company during the period and subsequent to reporting date.

#### **7. SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

There have been no significant changes in the state of affairs of the company.

#### **8. SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

The Company issued 35,941,833 Bonus Options to shareholders on 18 July 2014. These options are exercisable at \$0.225 at any time on or before 31 August 2015.

As at 5 August 2014, the All Ordinaries Accumulation index has risen approximately 3% since 30 June 2014.

There has not been any matter or circumstance that has arisen since the balance date that has affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent periods.

#### **9. LIKELY DEVELOPMENTS AND FUTURE RESULTS**

Future results will be driven by the outcome of the Company's investment strategy, which will in turn be influenced by the overall direction of equity markets. These returns are uncertain and are expected to vary significantly from year to year. The key risk to market returns will be influenced by a range of factors that cannot be predicted with any certainty and include the outlook for growth, inflation, commodity prices, interest rates, general economic conditions, natural disasters and government regulation. Market risk is managed by periodically moving into and out of equity positions.

The Chairmans Report, Directors Report and the Review of Operations contains further information on recent and likely future developments and results.

#### **10. DIRECTORS' INTERESTS**

At the date of this report the interests of the directors in the shares and options of the Company and related bodies corporate are:

<b>Director</b>	<b>Ordinary Shares</b>	<b>Aug 2015 Options</b>
Philip Rees		
Held Directly or Indirectly	1,000,000	100,000
Dermot Woods		
Held Directly or Indirectly	1,000,000	100,000
Stephen Tucker		
Held Directly or Indirectly	100,000	10,000
Jay Hughes		
Held Directly or Indirectly	1,000,000	100,000
Michael Jefferies		
Held Directly or Indirectly	500,000	50,000

## **DIRECTORS' REPORT (CONT'D)**

### **For the Year Ended 30 June 2014**

#### **11. SHARE OPTIONS**

As at the date of this report the Company has 35,941,833 options on issue. These options are exercisable into 35,941,833 new ordinary shares in the Company that rank equally with other ordinary shares by the payment of 22.5 cents per option at any time up until expiry date of 31 August 2015.

Holders of Options will be permitted to participate in new issues of securities only following the prior exercise of the Option. An Option does not confer the right to a change in Exercise Price or a change in the number of Shares over which the Option can be exercised. In the event of any reconstruction (including consolidation, subdivision, reduction or returns) of the issued capital of the Company, the number of Options or Exercise Price or both shall be reconstructed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

#### **12. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

Ozgrowth Limited has made a deed of indemnity for all the Directors of the Company against all losses or liabilities incurred by each Director in their capacities as Directors of the Company. The company agreed to indemnify and keep indemnified the Director against all liabilities by the Director as a Director of the Company.

During the financial year, the Company paid an insurance premium in respect of a contract insuring each of the Officers of the Company. The amount of the premium is, under the terms of the insurance contract, confidential. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as Officers of the Company.

#### **13. REMUNERATION REPORT (AUDITED)**

The Board of Directors is responsible for determining and reviewing compensation arrangements for the executive team. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The company had no employees during the year ended 30 June 2014 or 30 June 2013. Details of Key Management Personnel are as follows:

Jay Hughes	Chairman (non-executive)	Appointed 9 July 2007
Philip Rees	Executive Director	Appointed 31 October 2007
Dermot Woods	Director (non-executive)	Appointed 5 November 2013
Stephen Tucker	Director (non-executive)	Appointed 3 June 2014
Michael Jefferies	Director (non-executive)	Appointed 31 October 2007
Peter Diamond	Resigned 28 October 2013	Appointed 9 July 2007

Westoz Funds Management Pty Ltd is considered to be a Key Management Personnel ("KMP") with the authority for the strategic direction and management of Ozgrowth Limited.

## DIRECTORS' REPORT (CONT'D)

### For the Year Ended 30 June 2014

#### 13. REMUNERATION REPORT (AUDITED) (cont'd)

The share and option holdings of KMP as at 30 June 2014 are as follows:

As at 30 June 2014	Balance 1 July 2013	Net Change Other	Balance 30 June 2014
Director	Shares	Shares	Shares
Dermot Woods <sup>1</sup>			
Held Directly or Indirectly	-	1,000,000	1,000,000
Stephen Tucker <sup>2</sup>			
Held Directly or Indirectly	-	100,000	100,000
Philip Rees			
Held Directly or Indirectly	1,000,000	-	1,000,000
Jay Hughes			
Held Directly or Indirectly	1,000,000	-	1,000,000
Michael Jefferies			
Held Directly or Indirectly	500,000	-	500,000
Westoz Funds Management Pty Ltd			
Held Directly or Indirectly	-	-	-

1. Appointed 5 November 2013, net change reflects initial interest at appointment
2. Appointed 6 June 2014, net change reflects initial interest at appointment

As at 30 June 2013	Balance 1 July 2012	Net Change Other	Balance 30 June 2013
Director	Shares	Shares	Shares
Peter Diamond <sup>1</sup>			
Held Directly or Indirectly	2,500,000	-	2,500,000
Philip Rees			
Held Directly or Indirectly	1,000,000	-	1,000,000
Jay Hughes			
Held Directly or Indirectly	1,000,000	-	1,000,000
Michael Jefferies			
Held Directly or Indirectly	500,000	-	500,000
Westoz Funds Management Pty Ltd			
Held Directly or Indirectly	-	-	-

1. Peter Diamond held 2,500,000 ordinary shares as at 30 June 2013 and also at the date of his resignation as a Director on 28 October 2013.

Mr Jefferies is the only paid Director of the Company in the period. Mr Tucker will be remunerated in the 2015 financial year. Their services may be terminated by them at any time and otherwise by shareholder vote. Details of remuneration for the years ended 30 June 2014 and 30 June 2013 is as follows:

## DIRECTORS' REPORT (CONT'D)

### For the Year Ended 30 June 2014

#### 13. REMUNERATION REPORT (AUDITED) (cont'd)

		Short-term	Post-employment	
		Fee (\$)	Superannuation (\$)	Total (\$)
<b>S Tucker</b>	2014	-	-	-
	2013	-	-	-
<b>M Jefferies</b>	2014	49,886	4,614	54,500
	2013	50,000	4,500	54,500

The elements of emoluments have been determined on the basis of the cost to the Company. Emoluments of Directors are not directly related to the performance of the Company.

The Directors of Ozgrowth Limited during the year or part thereof were Mr Peter Diamond, Mr Philip Rees, Mr Jay Hughes, Mr Dermot Woods, Mr Stephen Tucker and Mr Michael Jefferies.

Westoz Funds Management Pty Ltd, a company of which Messrs Diamond, Rees, Woods, Tucker and Hughes are Directors is considered to be a Key Management Personnel ("KMP") with the authority for the strategic direction and management of Ozgrowth Limited. Westoz Funds Management Pty Ltd received management fees from the Company for the management of its assets. A total of \$3,530,559 (2013: \$876,303) was charged in the period for these services. These fees included a performance fee of \$2,645,525 for 2014 (2013: \$nil). There was \$80,520 (2013: \$70,290) accrued for management fees payable as at 30 June 2014.

These fees were charged in accordance with a 10 year management agreement starting from 14 December 2008. The management fee is calculated at 1% per annum of funds managed. The performance fee as specified in the management agreement is payable where performance exceeds 7% over a twelve month period to end of June and is calculated at 20% of the performance exceeding the threshold. The manager is required to give three months written notice to terminate the agreement. The performance fee is based on the above performance condition to be able to link the performance of the company to the services provided by the fund manager.

No amount is paid by Ozgrowth Limited directly to the Directors of Westoz Funds Management Pty Ltd.

Euroz Securities Limited, a company of which Messrs Diamond and Hughes are directors received brokerage fees for transactions undertaken by the company in respect of its investments. An amount of \$420,834 (2013: \$382,648) was paid in the year as brokerage to Euroz Securities Limited. \$8,603 of this brokerage was outstanding as at 30 June 2014 (2013: \$715).

The above transactions were entered into on normal commercial terms.

The total amount paid to Key Management Personnel in the period to 30 June 2014 as outlined above was \$4,005,893 (2013: \$930,903).

The short term incentive provided by the performance fee is payable once a nominated level of profitability is achieved in a financial year. The level of profitability is ultimately determined by the investment return on funds invested and is reflected in the earnings per share figure. The following table shows the link between company performance and shareholder wealth over the last 5 years:

Financial Year Ending	Basic and Diluted EPS (cents)	Share price at balance date (cents)
Jun-10	2.2	16.0
Jun-11	3.6	16.5
Jun-12	0.3	16.0
Jun-13	0.0	16.5
Jun-14	3.0	21.0

## **DIRECTORS' REPORT (CONT'D)**

### **For the Year Ended 30 June 2014**

#### **13. REMUNERATION REPORT (AUDITED) (cont'd)**

Since 30 June 2014 but prior to the date of this report, the Company issued an additional 35,941,833 options to acquire new ordinary shares at a price of 22.5 cent at any time prior to 31 August 2015. As the strike price of these options exceeds the average share price in the specified periods, no adjustment has been made to the above calculations to reflect dilution.

There are no long term incentives payable.

#### **(END OF REMUNERATION REPORT)**

#### **14. CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Ozgrowth Limited support and have adopted a corporate governance plan. Details of the Corporate Governance Practices can be found on page 44 to 51.

#### **15. INDEMNIFICATION OF AUDITORS**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

#### **16. AUDITOR INDEPENDENCE**

The auditor's independence declaration under section 307C of the Corporations Act 2001 is included on page 14 and forms part of the Ozgrowth Limited's report for the year ended 30 June 2014.

#### **17. NON AUDIT SERVICES**

The following non-audit services were provided by the company's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	<u>\$</u>
Tax compliance services	15,200

Signed for and on behalf of the Directors in accordance with a resolution of the Board.



**JAY HUGHES**

**Chairman**

**Dated: 7 August 2014**

**Perth, Western Australia**

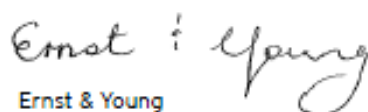


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GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
ey.com/au

## Auditor's Independence Declaration to the Directors of Ozgrowth Limited

In relation to our audit of the financial report of Ozgrowth Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

  
Ernst & Young



Fiona Drummond  
Partner  
7 August 2014



# STATEMENT OF COMPREHENSIVE INCOME

## For the Year Ended 30 June 2014

	Note	30/06/14 \$	30/06/13 \$
<b>REVENUE</b>			
Interest revenue		436,264	459,917
Dividend revenue		1,759,568	2,058,613
Other revenue		17,076	21,132
<b>Total revenue</b>		<b>2,212,908</b>	<b>2,539,662</b>
Changes in the fair value of investments designated at fair value through profit or loss upon initial recognition	4	15,990,738	(2,353,893)
		<b>18,203,646</b>	<b>185,769</b>
<b>EXPENSES</b>			
Managers fees	15(b)	3,530,559	876,303
Director fees		54,500	54,500
Professional fees		70,078	93,362
Other Expenses	6	84,077	79,613
<b>Total Expenses</b>		<b>3,739,214</b>	<b>1,103,778</b>
<b>(LOSS)/PROFIT BEFORE INCOME TAX EXPENSE</b>		<b>14,464,432</b>	<b>(918,009)</b>
Income tax (credit)/expense	7	3,802,628	(873,099)
<b>NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE COMPANY</b>		<b>10,661,804</b>	<b>(44,910)</b>
<b>Other Comprehensive Income</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>10,661,804</b>	<b>(44,910)</b>
<b>Earnings/(loss) per share (cents)</b>			
- Basic and Diluted	16	3.0	(0.0)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

# STATEMENT OF FINANCIAL POSITION

## AS AT 30 June 2014

	Note	30/06/2014 \$	30/06/2013 \$
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	19(a)	9,257,250	27,119,609
Income Tax Receivable		-	332,920
Other	9	1,584,853	67,105
<b>TOTAL CURRENT ASSETS</b>		<b>10,842,103</b>	<b>27,519,634</b>
<b>NON -CURRENT ASSETS</b>			
Investments in financial assets designated as at fair value through profit or loss:			
- Listed Equities	5	75,012,241	49,549,850
- Unlisted Equities	5	386,021	400,005
Deferred Tax Assets	7	-	2,276,384
<b>TOTAL NON-CURRENT ASSETS</b>		<b>75,398,262</b>	<b>52,226,239</b>
<b>TOTAL ASSETS</b>		<b>86,240,365</b>	<b>79,745,873</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	10	904,540	308,106
Dividend Payable	8	2,696,487	3,595,316
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,601,027</b>	<b>3,903,422</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred Tax Liabilities	7	1,528,057	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,528,057</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>5,129,084</b>	<b>3,903,422</b>
<b>NET ASSETS</b>		<b>81,111,281</b>	<b>75,842,451</b>
<b>EQUITY</b>			
Contributed Equity	11	73,252,957	73,252,957
Profit Reserve	12	13,035,517	8,206,702
Accumulated Loss	13	(5,177,193)	(5,617,208)
<b>TOTAL EQUITY</b>		<b>81,111,281</b>	<b>75,842,451</b>

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

# **CASH FLOW STATEMENT**

## **For the Year Ended 30 June 2014**

	Note	30/06/2014 \$	30/06/2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		436,264	459,917
Dividends received		1,759,568	2,058,613
Payments to suppliers and employees (inclusive of GST)		(3,894,485)	(1,099,709)
Income tax refunded / (paid)		334,732	(1,361,361)
<hr/>			
NET CASH FLOWS (USED IN) / FROM OPERATING ACTIVITIES	19(b)	(1,363,921)	57,460
<hr/>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investments designated as at fair value through profit or loss		56,036,659	80,649,661
Payments for purchases of investments designated as at fair value through profit or loss		(66,243,294)	(54,556,953)
<hr/>			
NET CASH FLOWS (USED IN) / FROM INVESTING ACTIVITIES		(10,206,635)	26,092,708
<hr/>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repurchase of ordinary shares		-	(714,693)
Dividends paid		(6,291,803)	(4,705,913)
<hr/>			
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		(6,291,803)	(5,420,606)
<hr/>			
NET INCREASE (DECREASE) IN CASH HELD		(17,862,359)	20,729,562
<hr/>			
Cash and cash equivalents at the beginning of the period		27,119,609	6,390,047
<hr/>			
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	19(a)	<b>9,257,250</b>	<b>27,119,609</b>

The above cash flow statement should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

### For the Year Ended 30 June 2014

	Contributed Equity	Profit Reserve	(Accumulated Loss)/Retained Earnings	Total Equity
	\$	\$	\$	\$
<b>At 1 July 2013</b>	73,252,957	8,206,702	(5,617,208)	75,842,451
Profit for the period	-	-	10,661,804	10,661,804
Total Comprehensive income/(loss) for the period	-	-	10,661,804	10,661,804
Transfer from Retained Earnings to Profit Reserve		10,221,789	(10,221,789)	-
Transactions with owners in their capacity as owners:				
Dividends for the year	-	(5,392,974)	-	(5,392,974)
<b>At 30 June 2014</b>	73,252,957	13,035,517	(5,177,193)	81,111,281

	Contributed Equity	Profit Reserve	(Accumulated Loss)/Retained Earnings	Total Equity
	\$	\$	\$	\$
<b>At 1 July 2012</b>	73,967,650	-	8,024,848	81,992,498
Profit for the period	-	-	(44,910)	(44,910)
Total Comprehensive income/(loss) for the period	-	-	(44,910)	(44,910)
Transfer from Retained Earnings to Profit Reserve		11,802,018	(11,802,018)	-
Transactions with owners in their capacity as owners:				
-Share Buyback	(714,693)	-	-	(714,693)
Dividends for the year	-	(3,595,316)	(1,795,128)	(5,390,444)
<b>At 30 June 2013</b>	73,252,957	8,206,702	(5,617,208)	75,842,451

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 1. CORPORATE INFORMATION

The financial report of Ozgrowth Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 7 August 2014.

Ozgrowth Limited is a company limited by shares that is incorporated and domiciled in Australia whose shares are listed on the Australian Securities Exchange.

Ozgrowth Limited does not control any entities at 30 June 2014.

The company had no employees as at 30 June 2014.

The nature of the operations and principal activities of the Company are as an investment company.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

For the purposes of preparing the financial statements the Company is a for-profit entity.

The financial report for the year ended 30 June 2014 has been prepared on a historical cost basis except for investments in financial assets which are measured at fair value.

The Company's functional and presentation currency is the Australian dollar (\$).

#### (b) Statement of Compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013, including:

- AASB 13: Fair Value Measurement
- AASB 2012-2 ; Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
- AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
- AASB1053: Application of Tiers of Australian Accounting Standards
- AASB 2011-4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]

The adoption of these new and amended standards has not had any financial impact on the financial position and results of the Company.

Applicable Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2014. These are included in the table below.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
AASB 2012-3	Amendments to Australian Accounting Standards - <i>Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-3 adds application guidance to AASB 132 <i>Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	The company is in the process of determining the impact of the amendments.	1 July 2014
Interpretation 21	<i>Levies</i>	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	No material impact expected.	1 July 2014

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
AASB 9	<i>Financial Instruments</i>	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <ol style="list-style-type: none"> <li>Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</li> <li>Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</li> <li>Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</li> <li>Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: <ul style="list-style-type: none"> <li>► The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>► The remaining change is presented in profit or loss</li> </ul> </li> </ol> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p> <p>The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes:</p> <ol style="list-style-type: none"> <li>New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures</li> <li>Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time</li> <li>In February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be 1 January 2018</li> </ol>	1 January 2018	The company is in the process of determining the impact of the amendments	1 July 2018

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
AASB 2013-3	<i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i>	AASB 2013-3 amends the disclosure requirements in AASB 136 <i>Impairment of Assets</i> . The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	The company is in the process of determining the impact of the amendments.	1 July 2014
AASB 2013-4	<i>Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]</i>	AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	No Impact	1 July 2014
AASB 2013-5	<i>Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 &amp; AASB 139]</i>	<p>These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 <i>Business Combinations</i> when it obtains control of another entity.</p> <p>These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.</p> <p>These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.</p>	1 January 2014	No Impact	1 July 2014



Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
Annual Improvements 2010–2012 Cycle *	Annual Improvements to IFRSs 2010–2012 Cycle	<p>This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <ul style="list-style-type: none"> <li>► IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.</li> <li>► IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37.</li> <li>► IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.</li> <li>► IAS 16 &amp; IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.</li> <li>► IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.</li> </ul>	1 July 2014	No material impact expected.	1 July 2014

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
Annual Improvements 2011–2013 Cycle *	Annual Improvements to IFRSs 2011–2013 Cycle	<p>This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <ul style="list-style-type: none"> <li>► IFRS 13 - Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.</li> <li>► IAS 40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgment is based on guidance in IFRS 3.</li> </ul>	1 July 2014	The company is in the process of determining the impact of the amendments.	1 July 2014
AASB 1031	<i>Materiality</i>	<p>The revised AASB 1031 is an interim standard that cross-references to other Standards and the <i>Framework</i> (issued December 2013) that contain guidance on materiality.</p> <p>AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.</p>	1 January 2014	No material impact expected.	1 July 2014

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
AASB 2013-9	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i>	<p>The Standard contains three main parts and makes amendments to a number of Standards and Interpretations.</p> <p>Part A- already effective amendment</p> <p>Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.</p> <p>Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 <i>Hedge Accounting</i> into AASB 9 <i>Financial Instruments</i>.</p>	<p>Part B - periods beginning on or after 1 January 2014</p> <p>Part C - reporting periods beginning on or after 1 January 2015</p>	No material impact expected.	<p>Part B - 1 July 2014</p> <p>Part C - 1 July 2015</p>
Amendments to IAS 16 and IAS 38*	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	<p>IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p>	1 January 2016	No material impact expected.	1 July 2016

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
IFRS 15*	Revenue from Contracts with Customers	<p>IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.</p> <p>IFRS 15 supersedes:</p> <ul style="list-style-type: none"> <li>(a) IAS 11 Construction Contracts</li> <li>(b) IAS 18 Revenue</li> <li>(c) IFRIC 13 Customer Loyalty Programmes</li> <li>(d) IFRIC 15 Agreements for the Construction of Real Estate</li> <li>(e) IFRIC 18 Transfers of Assets from Customers</li> <li>(f) SIC-31 Revenue—Barter Transactions Involving Advertising Services</li> </ul> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> <li>(a) Step 1: Identify the contract(s) with a customer</li> <li>(b) Step 2: Identify the performance obligations in the contract</li> <li>(c) Step 3: Determine the transaction price</li> <li>(d) Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</li> </ul> <p>Early application of this standard is permitted.</p>	1 July 2017	The company is in the process of determining the impact of the amendments	1 July 2017

\* These IFRS amendments have not yet been adopted by the AASB

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Financial assets

#### (i) *Initial recognition and measurement*

Financial assets within the scope of AASB 139 are classified as financial assets at fair value through profit or loss, loans and receivables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

#### (ii) *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as described below:

##### *Financial assets at fair value through profit or loss.*

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under AASB 139 are satisfied.

The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

All financial assets designated as fair value through profit or loss are equity instruments that are managed through making purchase and sales decisions based on their fair value in accordance with the Company's investment strategies. The financial information about these financial assets is provided internally on that basis to the Investment Manager and to the Board of Directors.

For investments that are actively traded in organised financial markets, fair value is determined by reference to the Stock Exchange quoted market bid prices at the close of business on the Statement of Financial Position date, without any deduction for transaction costs.

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The judgments include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data.

Gains and losses on investments at fair value through profit and loss are recognised in Profit or Loss.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Company commits to purchase the asset.

Changes in the fair value of investments – net gains or losses on investments designated as at fair value through profit or loss are calculated as the difference between the fair value at sale or fair value at reporting date and the fair value at the previous valuation point. This includes both realised and unrealised gains and losses but does not include dividend or interest income.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (c) Financial assets (cont'd)

#### (iii) *De-recognition of financial assets*

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party lender under a “pass-through” arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has transferred control of the asset.

### (d) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and short term deposits, including bank bills with a maturity 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.

For the purposes of the Cash Flow Statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### (e) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is recognised on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred tax assets are re-assessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow all or part of the deferred income tax to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in other comprehensive income are recognised in other comprehensive income and not in profit or loss.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (f) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

### (g) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes. The following specific recognition criteria must also be met before revenue is recognised:

Interest - revenue is recognised as interest accrues using the effective interest rate method which is the rate that exactly discounts estimated future cash flows through the expected life of the financial investment to the net carrying value of the financial asset.

Dividend - revenue is recognised when the Company's right to receive the payment is established. This is taken to be the date the share is quoted ex-dividend.

### (h) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid on goods and services received. They represents liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company is obliged to make future payments in respect of the purchase of these goods and services.

Payables include outstanding settlements on the purchase of investments and dividends payable. The carrying period is dictated by market conditions and generally less than 30 days.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

### (i) Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by the company and is classified as equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### (j) Earnings Per Share

Basic earnings per share (EPS) is calculated as net profit attributed to ordinary equity holders divided by the weighted average number of ordinary shares outstanding during the year adjusted for any bonus element. Where dilutive securities are on issue, a diluted EPS is calculated in accordance with AASB 133.

### (k) Trade and Other Receivables

Receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for uncollectible debts. An estimate of doubtful debts is made when there is objective evidence that the Company will not be able to collect the debt. Bad debts are written off when identified. Amounts are normally received within 30 days of being recorded as receivable.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (l) Dividends

Provision is made for the amount of any dividend declared by the directors on or before the end of the financial year, but not distributed at balance date.

### (m) Performance Fees

Performance fees are calculated in accordance with contractual arrangements and are payable in the year in which the returns are generated.

### (n) Due to and from brokers

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date. Refer to the accounting policy for 'trade and other payables' for recognition and measurement of these amounts.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date. Refer to accounting policy for 'trade and other receivables' for recognition and measurement of these amounts.

### (o) Significant Accounting Judgements, Estimates and Assumptions

There are no significant accounting judgments, estimates and assumptions during the financial year other than those described in Note 5.

## 3. SEGMENT INFORMATION

For management purposes, the Company is organised into one main business segment, which invests in equity securities on the Australian Stock Exchange. All of the Company's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

The Company operated in one geographical area being Australia.

## 4. CHANGES IN FAIR VALUE OF INVESTMENTS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30/06/14 \$	30/06/13 \$
Net realised (loss) / gain on disposal of investments – listed equities	(466,247)	2,481,726
Net unrealised gain / (loss) on investments – listed equities	16,456,985	(4,835,619)
	15,990,738	(2,353,893)

The total number of contract notes that were issued for transactions during the financial year was 650 (2013: 728). The total brokerage paid on these contract notes was \$441,318 (2013: \$495,922).



## 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table shows financial instruments recorded at fair value, analysed between those whose fair value is based on quoted market prices, those involving valuation techniques where model inputs are observable in the market and those where the valuation technique involves the use of non-market observable inputs.

	30 June 2014			
	Valued at Quoted market price (Level 1)	Valuation Technique market observable inputs (Level 2)	Valuation technique non – market observable inputs (Level 3)	Total
<b>Financial assets at fair value through profit or loss</b>				
(i) <i>Listed equities</i>	75,012,241	-	-	75,012,241
(ii) <i>Unlisted Equities</i>	-	-	386,021	386,021
	<b>75,012,241</b>	<b>-</b>	<b>386,021</b>	<b>75,389,262</b>

	30 June 2013			
	Valued at Quoted market price (Level 1)	Valuation Technique market observable inputs (Level 2)	Valuation technique non – market observable inputs (Level 3)	Total
<b>Financial assets at fair value through profit or loss</b>				
(i) <i>Listed equities</i>	49,549,850	-	-	49,549,850
(ii) <i>Unlisted Equities</i>	-	-	400,005	400,005
	<b>49,549,850</b>	<b>-</b>	<b>400,005</b>	<b>49,949,855</b>

The level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

The fair value of listed equity is based on quoted market prices at the reporting date (bid price for long positions), without any deduction for transaction costs.

For instruments for which there is currently no active market the Company values the instruments with reference to recent off market arms-length transactions.

## 5. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

30 June 2014	Financial assets	
	Unquoted equity securities	Total
Opening balance	400,005	400,005
Transfers out of level 3 (i)	(66,667)	(66,667)
Acquisitions (ii)	52,683	52,683
Closing balance	386,021	386,021

30 June 2013	Financial assets	
	Unquoted equity securities	Total
Opening balance	400,005	400,005
Closing balance	400,005	400,005

- (i) On 16 August 2011, OZG subscribed to 1,333,350 ordinary shares in Moboom Limited at \$0.30/share. The value of these shares were written down at 31 December 2013 with reference to a recent arms-length transaction. Moboom is an unlisted equity as at 30 June 2014.
- (ii) An additional 210,732 Moboom Limited shares were acquired during the period. These shares have been valued at the last observed arms-length transaction.

## 6. OTHER EXPENSES

### Expenses

ASX Fees

Other

30/06/14  
\$

30/06/13  
\$

39,516

37,614

44,561

41,999

84,077

79,613

## 7. INCOME TAX

The major components of income tax expense are:

### Statement of comprehensive income

#### Current Income Tax

Current income tax charge

(1,812)

2,323,785

#### Deferred income tax

Relating to origination and reversal of temporary differences

3,804,440

(1,450,686)

### Income tax (credit) / expense reported in statement of comprehensive income

3,802,628

873,099

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable tax rate is as follows:

Accounting profit/(loss) before tax

14,464,432

(918,009)

Tax at the statutory income tax rate of 30% (2012: 30%)

4,339,330

(275,403)

Tax effect of amounts which are not deductible(taxable) in calculating taxable income

(536,702)

(597,696)

### Income tax (credit) / expense

3,802,628

(873,099)

## 7. INCOME TAX (cont'd)

### Deferred Income tax

Deferred income tax at 30 June relates to the following:

	Statement of financial position		Statement of comprehensive income	
	2014	2013	2014	2013
	\$	\$	\$	\$
<i>Deferred Tax Assets</i>				
Tax loss recognised	1,132,655	-	(1,132,655)	-
Unrealised loss on investments in financial assets	-	2,276,384	2,276,384	(1,450,686)
<b>Total DTA</b>	<b>1,132,655</b>	<b>2,276,384</b>	<b>1,143,729</b>	<b>(1,450,686)</b>
<i>Deferred Tax Liabilities</i>				
Unrealised gain on investments in financial assets	(2,660,712)	-	2,660,711	-
<b>Total DTL</b>	<b>(2,660,712)</b>	<b>-</b>	<b>2,660,711</b>	<b>-</b>
<b>Net (DTL) / DTA</b>	<b>(1,528,057)</b>	<b>2,276,384</b>	<b>3,804,440</b>	<b>(1,450,686)</b>

Deferred tax assets relate to unrealised losses on investments in financial assets and recognised tax losses. Based on long term movements in the value of similar financial instruments, it is probable that the company will make future taxable profits and such losses will be utilised.

## 8. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

	30/06/14 \$	30/06/13 \$
<b>Ordinary Shares</b>		
Interim dividend of 0.75 cents per share paid on 1 February 2014 (2013: 0.5 cents per share)	2,696,487	1,795,128
Final dividend of 1.0 cents per share declared and provided for at 30 June 2014 (2013: 1.0 cents per share per fully paid ordinary share). Fully franked based on tax paid or payable at 30%	2,696,487	3,595,316
	<b>5,392,974</b>	<b>5,390,444</b>
<b>Franking Credit Balance</b>		
Franking credits available at the end of the financial year at 30% (2013: 30%)	3,295,089	5,572,208
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	(332,920)
Franking debits that will arise by the payment of dividends as at the end of the financial year	(1,155,637)	(1,540,850)
	<b>2,139,452</b>	<b>3,698,438</b>
<b>9. OTHER CURRENT ASSETS</b>		
Outstanding settlements	1,358,741	-
Interest Receivable	-	36,987
GST Receivable	226,113	30,118
	<b>1,584,854</b>	<b>67,105</b>

Note: GST Receivable is non-interest bearing and is generally claimed from the Australian Tax Office on a quarterly basis. Sale settlements are normally settled on 3 day terms. The Company has not had any history of bad debts in settling the sale transactions with any of the brokers it deals with.

The carrying value of other assets is approximately equal to its fair value.

	30/06/14 \$	30/06/13 \$
<b>10. TRADE AND OTHER PAYABLES (CURRENT)</b>		
Trade Payables	115,200	128,541
Outstanding purchase settlements	789,340	179,565
	<u>904,540</u>	<u>308,106</u>

Total trade payables are non-interest bearing and normally settled on 30 day terms. Purchase settlements are normally settled on 3 day terms.

The carrying value of trade and other payables is approximately equal to its fair value.

## 11. CONTRIBUTED EQUITY

### (a) Contributed Equity

359,531,594 fully paid ordinary shares (2013: 359,531,954)	<u>73,252,957</u>	<u>73,252,957</u>
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### (b) Movements in ordinary shares on Issue

	Number of Shares	\$	Number of Shares	\$
Beginning of the financial period	359,531,594	73,252,957	368,848,165	73,967,650
- Share Buyback	-	-	(9,316,571)	(714,693)
	<u>359,531,594</u>	<u>73,252,957</u>	<u>359,531,594</u>	<u>73,252,957</u>

### (c) Terms and conditions of contributed equity

The Company does not have an authorised capital nor par value in respect of its issued capital.

Ordinary fully paid shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary fully paid shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

### (d) Options

At balance date there were no options outstanding. Since balance date, but prior to the date of this report the Company has issued 35,941,833 options. These options are exercisable into 35,941,833 new ordinary shares in the Company that rank equally with other ordinary shares by the payment of 22.5 cents per option at any time up until expiry date of 31 August 2015.

Holders of Options will be permitted to participate in new issues of securities only following the prior exercise of the Option. An Option does not confer the right to a change in Exercise Price or a change in the number of Shares over which the Option can be exercised. In the event of any reconstruction (including consolidation, subdivision, reduction or returns) of the issued capital of the Company, the number of Options or Exercise Price or both shall be reconstructed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

### (e) Capital Management

The capital management and investment objective is to produce a positive return on funds, regardless of the general direction of the listed share market that is consistent with acceptable risk parameters. The Company has delegated the capital management and investment to its investment manager, Westoz Funds Management Pty Ltd. Details of the Company's financial risk management policies and objectives are included in note 20.

Where available, the Company intends to pay out a consistent stream of dividends to investors, having regard to availability of franking credits and retained profits

The company's total capital at 30 June 2014 was \$81,111,281 (2013: \$75,842,451) comprising equity share capital, reserves and retained earnings. The Company was ungeared at year end.

	30/06/14 \$	30/06/13 \$
<b>12. RESERVES</b>		
Profit Reserve	13,035,517	8,206,702
	<u>13,035,517</u>	<u>8,206,702</u>

The profit reserves made up of amounts allocated from retained earnings that are preserved for future dividend payments.

Movement in Profits Reserve		
Balance at beginning of the year	8,206,702	-
Transferred from retained earnings (a)	10,221,789	11,802,018
Dividend Paid	(5,392,974)	(3,595,316)
	<u>13,035,517</u>	<u>8,206,702</u>

- (a) The amount transferred to profit reserve is the profit for the period 1 July 2013 to 30 September 2013 and 1 October 2013 to 31 December 2013 in accordance with resolutions of the Board of directors dated 28 October 2013 and 7 February 2014 respectively

### 13. (ACCUMULATED LOSS)/RETAINED EARNINGS

Balance at beginning of the year	(5,617,208)	8,024,848
Profit for the year attributable to members	10,661,804	(44,910)
Transfer to Profit Reserve from retained earnings	(10,221,789)	(11,802,018)
Dividend Paid	-	1,795,128
	<u>(5,177,193)</u>	<u>(5,617,208)</u>

### 14. AUDITORS' REMUNERATION

Total of all remuneration received or due and receivable by Ernst & Young in connection with:

- an audit or review of a financial report of the company	52,525	48,600
- services in relation to tax compliance for the company	15,200	34,300
	<u>67,725</u>	<u>82,900</u>

### 15. RELATED PARTY DISCLOSURES

#### (a) *Remuneration of Directors and Executives*

The Board of Directors is responsible for determining and reviewing compensation arrangements for the executive team. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Mr Jefferies was the only paid Director of the Company. The total remuneration payable for the financial year is \$54,500 (2013: \$54,500).

#### (b) *Transactions with Directors or Director Related Entities*

The Directors of Ozgrowth Limited during the year or part thereof were Mr Peter Diamond, Mr Philip Rees, Mr Jay Hughes, Mr Dermot Woods, Mr Stephen Tucker and Mr Michael Jefferies.

Westoz Funds Management Pty Ltd, a company of which Messrs Diamond, Rees, Woods, Tucker and Hughes are Directors is considered to be a Key Management Personnel ("KMP") with the authority for the strategic direction and management of Ozgrowth Limited. Westoz Funds Management Pty Ltd received management fees from the Company for the management of its assets. A total of \$3,530,559 (2013: \$876,303) was charged in the period for these services. These fees included a performance fee of \$2,645,525 for 2014 (2013 \$nil). There was \$80,520 (2013: \$70,290) accrued for management fees payable as at 30 June 2014.

## 15. RELATED PARTY DISCLOSURES (CONT'D)

### (b) *Transactions with Directors or Director Related Entities (cont'd)*

These fees were charged in accordance with a management agreement. Management fee is calculated at 1% per annum of funds managed. Performance fee is payable where performance exceeds 7% over a twelve month period to end of June and is calculated at 20% of the performance exceeding the threshold.

No amount is paid by Ozgrowth Limited directly to the Directors of Westoz Funds Management Pty Ltd.

Euroz Securities Limited, a company of which Messrs Diamond and Hughes are directors received brokerage fees for transactions undertaken by the company in respect of its investments. An amount of \$420,834 (2013: \$382,648) was paid in the year as brokerage to Euroz Securities Limited. \$8,603 of this brokerage was outstanding as at 30 June 2014 (2013: \$715).

The above transactions were entered into on normal commercial terms.

### (c) *Total remuneration Paid to Key Management Personnel*

The total amount paid to Key Management Personnel in the period to 30 June 2014 as outlined above was \$4,005,893 (2013: \$930,903). These are short term benefits.

### (d) *Ultimate Parent*

Ozgrowth Limited is the ultimate Australian parent company.

### (e) *Other Related Party Transactions*

There are no other related party transactions other than those discussed above.

## 16. EARNINGS PER SHARE

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the year.

The company has no dilutive securities on issue.

	30/06/14 \$	30/06/13 \$
Net profit/(loss) attributable to ordinary equity holders of the company used in calculating basic earnings per share	10,661,804	(44,910)
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share	359,531,594	360,772,603
Basic and diluted earnings per share (cents)	3.0	0.0

Between the reporting date and the date of completion of these financial statements, the Company has issued 35,941,833 new bonus options. These options are exercisable into 35,941,833 new ordinary shares that rank equally with other ordinary shares by the payment of 22.5 cents per option at any time up until expiry date of 31 August 2015.

These options have not been included in the calculation of basic and diluted earnings per share as the strike price exceeds the average market price of shares.

## 17. EVENTS SUBSEQUENT TO BALANCE DATE

The Company issued 35,941,833 Bonus Options to shareholders on 18 July 2014. These options are exercisable at \$0.225 at any time on or before 31 August 2015.

As at 5 August 2014, the All Ordinaries Accumulation Index (being an indication of a general move in the equity market) had risen approximately 3% since 30 June 2014.

No matters or events have occurred subsequent to 30 June 2014 which have significantly affected or may significantly affect the operations of the Company, the results of its operations or the state of affairs of the Company in subsequent financial periods.

## 18. CONTINGENT LIABILITIES

The Company has no contingent liabilities as at 30 June 2014 (2013: \$nil).

## 19. NOTES TO THE STATEMENTS OF CASH FLOW

	30/06/14 \$	30/06/13 \$
<b>(a) Reconciliation of Cash</b>		
For the purpose of the annual report, cash and cash equivalents are expressed as follows: -		
Cash at Bank and in hand	9,257,250	12,119,609
Term Deposits	-	15,000,000
	<u>9,257,250</u>	<u>27,119,609</u>
Cash at bank and in hand earns interest at floating rates based on daily deposit rates. Term deposits are for a period of not more than three months and earn interest at available rates at the time of deposit.		
The fair value of cash and cash equivalents is \$9,257,250 (2013: \$27,119,609). Of the total cash and cash equivalents held at 30 June 2014, \$9,066,438 was held in the investment portfolio. The balance of the cash amount shown in the portfolio represents net settlements outstanding.		
<b>(b) Reconciliation from the Net Profit after Income Tax to Net Cash flows Generated from Operating Activities</b>		
Net profit / (loss) after tax	10,661,804	(44,910)
<b>Adjustment for Non-Cash Items:</b>		
<b>Items classified as Investing</b>		
Unrealised (profit)/loss on shares	(16,456,985)	4,835,619
Realised (profit)/loss on shares	466,247	(2,481,726)
<b>Changes in Assets and Liabilities:</b>		
Increase/(Decrease) in trade and other payables	(13,339)	17,209
Increase in other assets	(159,008)	(34,272)
/(Decrease) / Increase in tax payable	2,660,712	(783,774)
Increase/(Decrease) in deferred tax balances	1,476,648	(1,450,686)
Net Cash generated from Operating Activities	<u>(1,363,921)</u>	<u>57,460</u>

## 19. NOTES TO THE STATEMENTS OF CASH FLOW (CONT'D)

### c) *Financing Facilities Available*

At balance date, no financing facilities had been negotiated and none were available.

## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks arising from holding financial instruments are inherent in the Company's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Company is exposed to credit risk, liquidity risk and market risk.

The Company's principal financial instruments comprise listed equities, cash, short term deposits and outstanding sale and purchase settlements. The Company has other financial instruments such as trade creditors and distributions payable which arise directly from its operations. The Company may also transact in other financial instruments, including derivatives, to achieve its target rate of return on assets. No derivatives are held at 30 June 2014 (2013: Nil).

The Investment Manager is responsible for identifying and controlling the risks that arise from these financial instruments. The Company has an established investment policy in place. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment policy, is monitored by the Investment Manager.

### *Liquidity Risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled by the Company investing in financial instruments, which in normal market conditions can be easily liquidated. In addition, the Company maintains sufficient cash and cash equivalents to meet normal operating requirements.

### *Maturity Analysis for Financial Liabilities*

Financial liabilities of the Company comprise trade, other payables and distribution payable, which contractually mature within 60 days.

### *Credit Risk*

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The company's maximum credit exposure is the carrying amounts in the statement of financial position. The Company holds financial instruments with credit worthy third parties.

At 30 June 2014, the Company held listed equities, unlisted equities, term deposits and cash. Cash deposits were held on an at call basis and term deposits have nominated maturity dates not greater than three months forward with an institution covered under the Banking Act 1959 with a rating from Standard & Poors of AA- (long term) and A-1+ (short term). The Company has no past due or impaired debtors as at 30 June 2014.

### *Market Risk*

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and equity prices. The Company has delegated the management of these risks to an external party who has expertise in the management of such risk.

The following risk control features are in place:

- No one stock will represent more than 20% of the total portfolio value at the time of acquisition;
- The portfolio usually consists of between 10 and 25 securities, although more or less may be held depending on the number of securities identified that are expected to meet the performance expectations;
- Where suitable stocks cannot be identified, the portfolio may invest in cash. Whilst unlikely over the medium term, the portfolio may consist from time to time of significant cash deposits;
- Any short positions will not represent more than 20% of the total portfolio value; and
- Leverage may be employed in the Portfolio, but total exposure will not exceed 120% of the portfolio value.

Any breach of these risk control measures will be reported to the Company by the Manager and the Company will determine the appropriate action to remedy the breach.



## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

The portfolio position as at 30 June 2014 is as follows:

Investment Portfolio					
Resources	Number of Shares	Fair value at 30 June 2014	Industrials	Number of Shares	Fair value at 30 June 2014
Aquarius Platinum Limited	2,200,000	924,000	Automotive Holdings Group Limited	1,500,000	5,475,000
Aquila Resources Limited	2,330,111	7,875,775	Cedar Woods Properties Limited	2,365,107	17,217,979
Atlas Iron Limited	3,500,000	2,205,000	Finbar Group Limited	2,280,000	3,693,600
Flinders Mines Limited	35,000,000	700,000	Fleetwood Corporation Limited	800,780	1,857,810
Indophil Resources NL	10,000,000	1,550,000	MACA Limited	900,000	1,660,500
Medusa Mining Limited	2,500,000	4,600,000	Moboom Limited	1,544,082	386,021
Metals X Limited	5,000,000	1,275,000	NRW Holdings Limited	1,550,000	1,426,000
Mount Gibson Iron Limited	9,150,000	6,313,500	Southern Cross Electrical Engineering Ltd	2,491,979	1,208,610
Northern Iron Limited	8,491,513	1,188,812	Swick Mining Services Ltd	3,500,000	910,000
Red Hill Iron Limited	1,345,000	2,219,250			<b>33,835,519</b>
Sino Gas & Energy Holdings Limited	4,000,000	640,000			
Sundance Energy Australia Limited	4,228,084	4,883,437			
Tap Oil Limited	8,811,704	4,493,969			
Teranga Gold Corporation	3,000,000	2,055,000			
Troy Resources Limited	600,000	639,000			
		<b>41,562,743</b>			
			Cash, net of outstanding settlements		<b>9,635,839</b>
			Total		<b>85,034,101</b>

### Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The Company's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash and short term deposits, which have variable interest rates. The total cash balance at 30 June 2014 was \$9,257,250 (2013: \$27,119,609). The Company manages interest rate risk by ensuring that cash balances are always deposited in interest-bearing accounts that provide competitive interest rates.

As at 30 June 2013, cash deposits of \$9,257,250 (2013: \$12,119,609) were held at call. No term deposits with maturities of less than three months (2013: \$15,000,000) were held. No interest was recorded as receivable (2013: \$36,986).

The following table demonstrates the sensitivity of the Company's Statement of Comprehensive Income to a reasonably possible change in interest rates, with all other variables constant. The change in basis points is derived from a review of historical movements and management's judgement of future trends. The analysis is performed on the same basis for 2014.

		2014		2014	
Change in Basis Points		Effect on Pre Tax Profit (\$)		Effect on Equity including retained earnings (\$)	
Increase	Decrease	Increase	Decrease	Increase	Decrease
50	50	46,300	(46,300)	32,410	(32,410)
		2013		2013	
Change in Basis Points		Effect on Pre Tax Profit (\$)		Effect on Equity including retained earnings (\$)	
Increase	Decrease	Increase	Decrease	Increase	Decrease
50	50	60,500	(60,500)	42,350	(42,350)

*Equity Price Risk*

Equity price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. Equity price risk arises from the Company's investment portfolio.

The effect on the statement of comprehensive income due to a reasonably possible change in market factors, as represented by the equity indices, with all other factors held constant is indicated in the table below. The change in index level is derived from a review of historical movements. The analysis is performed on the same basis for 2013.

		2014		2014	
Index	Change in Index	Effect on Pre Tax profit (\$)		Effect on Equity including retained earnings (\$)	
ASX Small Ordinaries Index	Increase 10%/ (Decrease 10%)	7,540,000/(7,540,000)		5,278,000/(5,278,000)	
		2013		2013	
Index	Change in Index	Effect on Pre Tax profit (\$)		Effect on Equity including retained earnings (\$)	
ASX Small Ordinaries Index	Increase 10%/ (Decrease 10%)	4,955,000/(4,955,000)		3,468,000/(3,468,000)	

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Ozgrowth Limited, the directors declare that:

1. In the opinion of the directors:
  - (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
  - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b); and
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
  - (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2014.

On behalf of the Board



**Jay Hughes**  
**Chairman**  
**Dated: 7 August 2014**



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## Independent auditor's report to the members of Ozgrowth Limited

### Report on the Financial Report

We have audited the accompanying financial report of Ozgrowth Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



## Opinion

In our opinion:

- a. the financial report of Ozgrowth Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

## Report on the Remuneration Report

We have audited the Remuneration Report included in section 13 of the directors' report for the year ended 30 June 2014. 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.

## Opinion

In our opinion the Remuneration Report of Ozgrowth Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Fiona Drummond  
Partner  
Perth  
7 August 2014

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES FOR THE YEAR ENDED 30 June 2014

Ozgrowth Limited (the “**Company**”) is committed to maintaining a high standard of corporate governance. In this regard, the Company has adopted the ASX Corporate Governance Council’s revised Corporate Governance Principles and Recommendations (“**Revised Principles and Recommendations**”). The Company is pleased to advise that its practices are largely consistent with those of the ASX guidelines. Departures from the guidelines are discussed in the relevant section.

Where the Company’s corporate governance practices do not correlate with the practices recommended by the Council, the Company does not consider that the practices are appropriate for the Company due to the size and the nature of its operations.

The following table cross-references each recommendation of the ASX guidelines with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council’s website.

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 1.2 Performance Evaluation	1.2
Recommendation 1.3 Reporting on Principle 1	1.1 and 1.2
Recommendation 2.1 Independent Directors	2.1
Recommendation 2.2 Independent Chairman	2.2
Recommendation 2.3 Chairman and CEO separate	2.3
Recommendation 2.4 Establishment of Nomination Committee	2.4
Recommendation 2.5 Basis of Performance Evaluation	2.5
Recommendation 2.6 Reporting on Principle 2	2.1 to 2.5
Recommendation 3.1 Directors’ and Key Executives’ Code of Conduct	3.1
Recommendation 3.2 Diversity Policy	3.2
Recommendation 3.3 Diversity objectives and progress to achievement	3.3
Recommendation 3.4 Proportion of Women	3.4
Recommendation 3.5 Reporting on Principle 3	3.1 to 3.4
Recommendation 4.1 Establishment of Audit Committee	4.1
Recommendation 4.2 Structure of Audit Committee	4.2
Recommendation 4.3 Audit Committee Charter	4.3
Recommendation 4.4 Reporting on Principle 4	4.1 to 4.3
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	5.1
Recommendation 5.2 Reporting on Principle 5	5.1
Recommendation 6.1 Communications Strategy	6.1
Recommendation 6.2 Reporting on Principle 6	6.1
Recommendation 7.1 Policies on Risk Oversight and Management	7.1
Recommendation 7.2 Attestations by Management	7.2
Recommendation 7.3 Attestations by CEO or CFO	7.3
Recommendation 7.4 Reporting on Principle 7	7.1 to 7.3
Recommendation 8.1 Establishment of Remuneration Committee	8.1
Recommendation 8.2 Executive and Non-Executive Director Remuneration	8.2
Recommendation 8.3 Reporting on Principle 8	8.1 and 8.2

The policies and procedures summarized below are set out in detail on the Company’s website.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONT'D)

### FOR THE YEAR ENDED 30 June 2014

#### 1. Management and Oversight

##### 1.1 Functions of the Board and Management

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors and key Executive Officers in the performance of their roles.

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
- Strategy Formulation: working with management to set and review the overall investment strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: overseeing the development of the Company's strategic plan and approving that plan as well as budgets.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- Monitoring, Compliance and Risk Management: overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company Finances: approving expenses in excess of those approved in the annual budget and approving and monitoring financial, investment and other reporting.
- Human Resources: appointing, and, where appropriate, removing the Executive Officers as well as reviewing the performance of Executive Officers and monitoring their implementation of the Company's strategy.
- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to Executive Officers to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board and Executives roles and responsibilities are contained in the Board Charter, a copy of which is available on the Company's website.

The Directors due to their extensive relevant business experience and the fact that their interests are closely aligned to shareholders' interests clearly understand what is required of them. Accordingly, the Company has formed the view that letters of appointment are not required with respect to the Directors.

There are procedures in place, agreed by the Board, to enable Directors in furtherance of their duties to seek independent professional advice at the Company's expense.

## 1.2 *Performance Evaluation*

The performance of senior executives is reviewed by the Board on an annual basis and also pursuant to the Board's involvement in the day to day operations of the Company. The performance of Executive Officers is assessed against 3 broad criteria:

- the financial performance of the Company;
- the extent to which the Executive Officer has contributed to the Company achieving its organisational aims with a particular focus on the maintenance of the commercial reputation of the Company; and
- the extent to which the Executive Officer has personally acted in a manner which is in accordance with the Company's compliance related policies and procedures.

Similarly in the context of the matters referred to above, with respect to Executive Officers, The Company has formed the view that written position statements are not required. As per the process stated in this section, both Annual and Periodic performance evaluations of the Executive Officers has been conducted during the reporting period.

## 2. **Board Structure**

### *2.1: Independent Directors.*

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are stated in the Directors Report along with the term of office held by each of the Directors. Directors are appointed based on the specific governance skills required by the Company and on the quality of their decision-making and judgment.

The Company recognizes the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. At the year end there were four Non-Executive Directors in the company, one of which was an Independent Director. An Independent Director must meet the following criteria for independence adopted by the Company:

- is a Non-Executive Director and:
- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Company does not have a majority of Independent Directors. Mr Jefferies is the sole Independent Director under the above criteria. The Company believes that due to the nature of its operations and size, the current structure is appropriate.

### *2.2: The Chair should be an Independent Director.*

The Chairman is not an Independent Director. The Company believes that due to the nature of its operations and size, the current structure is appropriate.



**2.3: The roles of Chair and Chief Executive Officer should not be exercised by the same individual**

The Company meets this recommendation.

**2.4: The Board should establish a nomination committee**

Given its relatively small size and stable structure, the Company has formed the view that a nomination committee is not necessary for the Company to achieve an effective system of corporate governance and the duties normally associated with this committee are carried out by the Board.

**2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors**

A review of the performance of the Board and its directors is undertaken by each Director with respect to each other Director and the performance of the Board itself on an annual basis and also as part of the regular monitoring of the operations of the Company.

The performance of the Board, its Committee's and Directors is assessed against 3 broad criteria:

- the overall financial performance of the Company;
- the extent to which the party has contributed to the Company achieving its organisational aims; and
- the extent to which the party has personally acted in a manner which is in accordance with the Company's policies and procedures.

The Directors have extensive experience with respect to all aspects of the operations of the Company. In this regard, the section "Information on Directors" in the Directors Report outlines the experience and qualifications of the Directors. The Directors, pursuant to obligations imposed by the Corporations Act and the ASX Operating Rules and generally, undertake a substantial level of continuing education.

As per the process stated in this section, both Annual and Periodic performance evaluations of the Board and its Directors have been conducted during the reporting period.

**3 Ethical and Responsible Decision Making****3.1. Company Code of Conduct**

As part of its commitment to recognizing the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. The Company Code of Conduct was adopted by resolution of the Board. This Code includes the following.

*Responsibilities to Shareholders and the Financial Community Generally*

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

*Responsibilities to Clients, Customers and Consumers*

Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.

*Employment Practices*

The Company endeavors to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

*Obligations Relative to Fair Trading and Dealing*

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant

competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages its employees to strive to do the same.

#### *Responsibility to the Individual*

The Company is committed to keeping private information from employees and investors confidential and protected from uses other than those for which it was provided.

#### *Conflicts of Interest*

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

### **3.2 Diversity Policy**

The Company has a Diversity Policy in place. A full copy is available on the Company's website. A summary of the policy is as follows:

- Ozgrowth believes that having a diverse workforce has important commercial and operational benefits. An equally important benefit of diversity is that it assists Ozgrowth in its ongoing efforts to make a positive contribution to the Australian community.
- Ozgrowth is committed to treating all of its staff equally irrespective of their gender, race, age, ethnicity, sexual orientation, disability or any other irrelevant difference; having in place a corporate culture where all staff feel equally welcome and valued irrespective of their gender, race, age, ethnicity, sexual orientation or disability or any other irrelevant difference; and not discriminating in the employment of staff (including the appointment of directors) based upon a potential candidate's gender, race, age, ethnicity, sexual orientation or disability or any other irrelevant difference.
- Ozgrowth is committed to ensuring that any future Board appointments are made without discriminating against a potential candidate on the basis of their gender, race, age, ethnicity, sexual orientation or disability or any other irrelevant difference.

### **3.3 Diversity Objectives and Progress Towards Achievement**

Ozgrowth has no other employees apart from Directors. In these circumstances, Ozgrowth has formed the view that, at this time, it is not appropriate or practical to establish measurable objectives for achieving gender diversity and to formally assess progress towards achieving gender diversity.

### **3.4 Proportion of Women**

The company currently has no women in the organization as employees or directors.

## **4. Financial Reporting**

### **4.1 Audit Committee**

The Audit Committee was formed by resolution of the Board.

### **4.2 Structure**

The Audit Committee consists of three members. Members are appointed by the Board from amongst the Non-Executive Directors if possible. The current members of the Audit Committee are Mr Jefferies, Mr Tucker and Mr Hughes. All members can read and understand financial statements and are otherwise financially literate. Mr. Jefferies is the Chairman with experience in financial and accounting matters. The details of the member's qualifications may be found in the Directors Report.

The Audit Committee does not contain a majority of Independent Directors. The Company believes that due to the nature of its operations and size, the current structure is appropriate.

The Audit Committee held 2 meetings throughout the year. Attendance at meetings is recorded in the Directors Report.

### **4.3 Charter**

The Audit Committee has a formal charter.

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

The Audit Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements before submission to the Board and recommends their approval.

The Audit Committee also recommends to the Board the appointment of the external auditor and the internal auditor and, each year, reviews the appointment of the external auditor, their independence, the audit fee and any questions of resignation or dismissal.

The Audit Committee is also responsible for establishing policies on risk oversight and management.

## **5 Disclosure**

### **5.1 Policy**

The Board of the Company has in place a policy for disclosure of information, which includes a requirement that shareholders are fully informed to the extent required by any applicable disclosure rules and legislation on matters that may influence the price at which shares change hands in the Company.

The Company Secretary has been appointed as the person responsible for communications with the Australian Securities Exchange. This role includes responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

## **6 Shareholder Communication**

### **6.1 Communication Strategy**

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through the ASX announcements platform, its website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number for shareholders to make enquiries of the Company.

## 7 Risk

### 7.1 Policies

The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Board has delegated to the Audit Committee responsibility for implementing the risk management system.

The Audit Committee will submit particular matters to the Board for its approval or review. Among other things it will:

- oversee the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements;
- assist management to determine the key risks to the businesses and prioritise work to manage those risks; and
- review reports by management on the efficiency and effectiveness of risk management and associated internal compliance and control procedures.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks.
- Formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls.
- Monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

To this end, practises are in place that are directed towards achieving the following objectives:

- compliance with applicable laws and regulations.
- preparation of reliable published financial information.
- implementation of risk transfer strategies where appropriate e.g. insurance.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and report back as required to the Audit Committee.

The Board will review assessments of the effectiveness of risk management and internal compliance and control on an annual basis.

The relevant policies and procedures available on the Company's website.

### 7.2: Attestation by Management.

The Board believes that due to the nature and size of the Company's operations, a dedicated internal audit function is not appropriate and these duties can be carried out by the Company Secretary. The Company Secretary will at least annually attest to the effectiveness of the Company's management of its material business risks and will provide assurance that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operation effectively in all material aspects in relation to financial reporting risks.

The Company believes that due to the nature of its operations and size, it is not necessary for the Board to convene a separate risk management committee and the duties normally undertaken by such a committee are undertaken by the Audit Committee.

### ***7.3: Attestation by Executive.***

The Board confirms that it has received the reports as stated in section 7.2 above in respect of the most recently completed financial year.

## **8 Remuneration Committee**

As the whole Board only consists of four members which includes one Executive Officer, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

### ***8.1 Executive Officer Remuneration Policy***

The Company is committed to remunerating its Executive Officers, where required, in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Executive Officer Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in an option scheme with thresholds approved by shareholders;
- statutory superannuation

As the current Executive Officer is remunerated by the Company's investment manager, it has been determined that no amount be paid by the Company for his services.

### ***8.2 Non Executive Officer Remuneration Policy***

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company. No retirement benefits are required to be paid by the Company to Non executive Directors.

At the present time, Mr Jefferies and Mr Tucker are the only Non-Executive Director to be remunerated.

## SHAREHOLDER INFORMATION

### ORDINARY SHARES AT 18 JULY 2014

#### A) DISTRIBUTION OF SHAREHOLDERS

Analysis of number of shareholders by size of holding:

Issued Capital Distribution of Holdings	Ordinary Shares		Options	
	Holders	Holders	Units	Units
1-5,000	75	200,001	75	42,712
5,001-10,000	90	837,163	90	82,717
10,001-100,000	453	22,553,249	453	2,230,718
100,001 and over	269	335,941,181	269	33,585,686
<b>TOTAL Holders</b>	<b>887</b>	<b>359,531,594</b>	<b>887</b>	<b>35,941,833</b>

#### B) TOP HOLDERS

The twenty largest holders of ordinary fully paid shares are listed below:

No	Shareholder	Shares	%
1	ZERO NOMINEES PTY LTD	142,639,660	39.7%
2	CAPE BOUVARD EQUITIES PTY LTD	40,000,000	11.1%
3	MR VICTOR JOHN PLUMMER	8,059,201	2.2%
4	RBC INVESTOR SERVICES	5,000,000	1.4%
5	ICE COLD INVESTMENTS PTY LTD	5,000,000	1.4%
7	YANDAL INVESTMENTS PTY LTD	5,000,000	1.4%
6	ONYX (WA) PTY LTD	5,000,000	1.4%
8	ICE COLD INVESTMENTS PTY LTD	4,688,350	1.3%
9	MR DONALD GORDON MACKENZIE	4,531,584	1.3%
10	ACRES HOLDINGS PTY LTD	4,000,000	1.1%
11	ROLLASON PTY LTD	3,000,000	0.8%
12	G J P INVESTMENTS PTY LTD	2,920,891	0.8%
13	LIC INVESTMENTS PTY LTD	2,700,000	0.8%
14	MR ANDREW WILLIAM MCKENZIE	2,577,500	0.7%
15	YORKSHIRE SUPERANNUATION PTY	2,500,000	0.7%
16	PIAMA PTY LTD	2,500,000	0.7%
17	MR WILLEM BARTUS JOSEF SLOT	2,400,000	0.7%
18	ICE COLD INVESTMENTS PTY LTD	2,082,500	0.6%
19	REDBROOK NOMINEES PTY LTD	2,000,000	0.6%
20	MR MICHAEL ROBERT BEECH	2,000,000	0.6%
	Total	248,599,686	69.1%
	Remainder	110,931,908	30.9%
	Grand Total	359,531,594	100.0%

The twenty largest holders of options exercisable at 22.5 cents per share, expiry date 31 August 2015 are listed below:

No	Shareholder	Shares	%
1	ZERO NOMINEES PTY LTD	14,396,349	40.1%
2	CAPE BOUVARD EQUITIES PTY LTD	4,000,000	11.1%
3	MR VICTOR JOHN PLUMMER	1,000,000	2.8%
4	RBC INVESTOR SERVICES	755,861	2.1%
5	ICE COLD INVESTMENTS PTY LTD	600,000	1.7%
7	YANDAL INVESTMENTS PTY LTD	500,000	1.4%
6	ONYX (WA) PTY LTD	500,000	1.4%
8	ICE COLD INVESTMENTS PTY LTD	500,000	1.4%
9	MR DONALD GORDON MACKENZIE	451,590	1.3%
10	ACRES HOLDINGS PTY LTD	340,000	0.9%
11	ROLLASON PTY LTD	300,000	0.8%
12	G J P INVESTMENTS PTY LTD	257,750	0.7%
13	LIC INVESTMENTS PTY LTD	251,229	0.7%
14	MR ANDREW WILLIAM MCKENZIE	250,000	0.7%
15	YORKSHIRE SUPERANNUATION PTY	230,800	0.6%
16	PIAMA PTY LTD	217,246	0.6%
17	MR WILLEM BARTUS JOSEF SLOT	200,000	0.6%
18	ICE COLD INVESTMENTS PTY LTD	200,000	0.6%
19	REDBROOK NOMINEES PTY LTD	152,020	0.4%
20	MR MICHAEL ROBERT BEECH	150,000	0.4%
	Total	25,252,845	70.3%
	Remainder	10,688,988	29.7%
	Grand Total	35,941,833	100.0%

### C) SHAREHOLDERS WITH GREATER THAN 5%

As at 18 July 2014, the company had 2 shareholders with greater than 5% of the issued ordinary share capital:

Shareholder	Shares	%
Euroz Limited	135,708,108	37.8
Cape Bouvard Equities Pty Ltd	40,000,000	11.1