

INVESTMENT
ADVISORY

GRANDBRIDGE LTD



2014 **ANNUAL**
REPORT

Contents

| | |
|--|----|
| Chairman's Letter | 2 |
| Company Focus and Developments | 4 |
| Directors' Report | 16 |
| Auditor's Independence Declaration | 26 |
| Corporate Governance | 27 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 36 |
| Consolidated Statement of Financial Position | 37 |
| Consolidated Statement of Changes in Equity | 38 |
| Consolidated Statement of Cash Flows | 39 |
| Notes to the Consolidated Financial Statements | 40 |
| Directors' Declaration | 76 |
| Independent Auditor's Report | 77 |
| Additional Securities Exchange Information | 79 |





GRANDBRIDGE LTD

2014 ANNUAL REPORT

Company information

Directors

David Breeze

Executive Chairman

Kevin Hollingsworth

Non-Executive Director

Deborah Ambrosini

Executive Director

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Australian Securities Exchange Listing

Australian Securities Exchange Limited
(Home Exchange: Perth, Western Australia)
ASX Code: GBA

Australian Business Number

64 089 311 026



Chairman's Letter



Dear Shareholder

2013 was a year of challenges in difficult market conditions. However, development of Grandbridge's investments continued throughout the year.

Advent Energy

Advent Energy received substantial and independent confirmation of the Bonaparte Basin prospectivity for shale gas resources. A report titled *Engineering energy: unconventional gas production* by the Australian Council of Learned Academies (ACOLA) described a 6 trillion cubic feet shale gas resource for the onshore Bonaparte Basin. In energy equivalence, this was assessed as a resource of 1.09 billion barrels of oil equivalent.

In August 2013 Advent Energy through its wholly owned subsidiary Asset Energy Pty Ltd (Asset) settled the legal dispute involving Fugro Survey Pty Ltd (Fugro), RPS Energy Pty Ltd and Asset. This was settled at a court appointed mediation. The dispute arose over performance and fees in connection with pre-drilling site survey works conducted by Fugro at PEP11 in 2010. Asset settled Fugro's claim of \$2.2 million with a payment of \$100,000.

Advent Energy has commenced preparation of the Environment Plan for a seismic survey within PEP11. This survey is intended to refine the existing multi-Tcf structural targets present in the offshore Sydney Basin for future drilling. If successful, and gas is discovered in future as a consequence of these activities, the economic benefits for NSW gas and electricity consumers could be significant. A reliable, local supply of economic, greener energy like gas will benefit not only the energy users, but also our environment.



During the year Advent Energy continued with commercial discussions, planning and engineering evaluation for development of its gas resources in EP386 and RL1. It signed a letter of intent for gas supply and has continued discussions on the framework of potential gas offtake agreements. In addition Advent Energy has evaluated the optimum production process of CNG and LNG delivery of gas to mine sites and other potential customers.

The past year has also seen Grandbridge's biotechnology investment continue to make further progress.



Cortical Dynamics

In 2013 Cortical Dynamics completed its first human clinical trial using the complete Brain Anaesthesia Response (BAR) monitoring system within the operating room. The clinical trial, involving 25 patients undergoing elective coronary artery bypass surgery, was designed to evaluate the ability of the BAR monitor to distinguish between two different doses of the widely used intravenous analgesic fentanyl, in addition to assessing the immunity of the BAR monitor to a range of intra-operative mechanical and electrical artifacts known to complicate the EEG measurement of anaesthetic action. During the current year Cortical Dynamics principal scientist Dr Mehrnaz Shoushtarian was given the opportunity to present the findings of this trial at the American Society of Anesthesiologists annual meeting in San Francisco where it was well received by all who attended this notable event.

The BAR monitor also received further confirmation recently when it was acknowledged in an article published in the ABC's Health and Wellbeing. The article sought the thoughts of key opinion leaders in anaesthesiology and identified the BAR as a new and novel method to monitor anaesthesia levels in the surgical patient.

We appreciate the ongoing support of our shareholders and all of our stakeholders and look forward to sharing further developments with you in 2014.

Yours faithfully

David Breeze
Executive Chairman

Company Focus and Developments

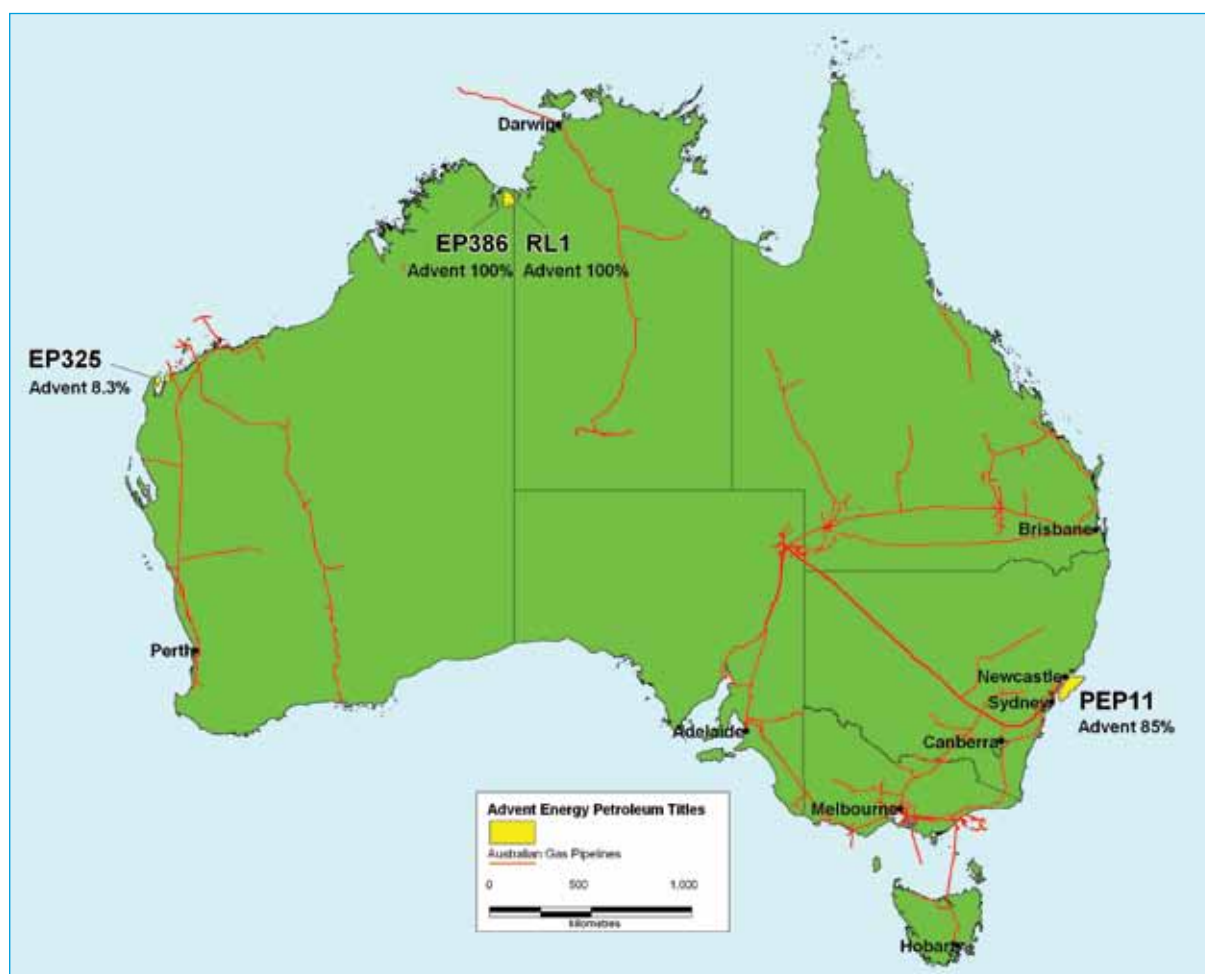
Grandbridge Limited is an investment company listed on the Australian Securities Exchange under the code "GBA". The principal activity of Grandbridge Limited is the development of companies, products and services within the private and public equity markets in Australia, USA, Europe and Asia.

Grandbridge also provides corporate advisory services to a select group of private and publicly listed companies.

MEC Resources Limited

MEC invests into exploration companies targeting potentially large energy and mineral resources.

The Company has been registered by the Australian Federal Government as a Pooled Development Fund enabling most MEC shareholders to receive tax free capital gains on their shares and tax free dividends. MEC provides companies in energy and mineral exploration sectors with development and exploration funding. The early stage of a junior exploration company potentially offers the most exciting growth opportunities in the energy and minerals sectors.



Advent Energy

MEC has a 44% holding in Advent Energy. Advent Energy's assets include EP386 and RL1 (100%) in the onshore Bonaparte Basin in the north of Western Australia and Northern Territory, PEP11 (85%) in the offshore Sydney Basin and EP325 (8.3%) in the Exmouth Sub-basin of the Carnarvon Basin near Exmouth in WA. Advent Energy's portfolio of assets has an estimated AUD 156m invested historically on exploration.

Western Australia / Northern Territory – Onshore Bonaparte Basin

Advent Energy holds 100% of each of EP386 and RL1 in the onshore Bonaparte Basin in northern Australia. The Bonaparte Basin is a highly prospective petroliferous basin, with significant reserves of oil and gas. Most of the basin is located offshore, covering 250,000 square kilometres, compared to just over 20,000 square kilometres onshore.

Advent Energy holds Exploration Permit EP386 (2,568 square kilometres in area) which is the sole petroleum permit in the Western Australian section of the onshore Bonaparte Basin. Since 1960 twelve wells have been drilled in or near EP386 and only sixteen in the whole of the onshore basin, with a resultant excellent technical success rate of encountering hydrocarbons.

Waggon Creek-1, drilled in 1995, provided strong evidence of a significant sweet gas-charged stratigraphic trap with fair to good quality sandstone reservoir within the upper Milligans Formation. Drilling of Vienta-1 in 1998 demonstrated numerous gas shows within Enga Sandstone units, with dry gas flowed to surface and visual porosity described in the cuttings. Both Waggon Creek-1 and Vienta-1 were cased and suspended for future production.

Production testing of the Waggon Creek-1 well has demonstrated flows of over 1 million standard cubic feet of natural gas per day (MMscf/d), and a gas column over a 217 metre gross interval. Production testing of the Vienta-1 well has demonstrated flows of over 2 MMscf/d.



Production testing at Waggon Creek-1 during 2012.

Company Focus and Developments

Western Australia / Northern Territory – Onshore Bonaparte Basin (continued)

Following application by Advent Energy the WA Department of Mines & Petroleum granted a suspension of the condition requiring the completion of the Year 2 work by 31 March 2015.

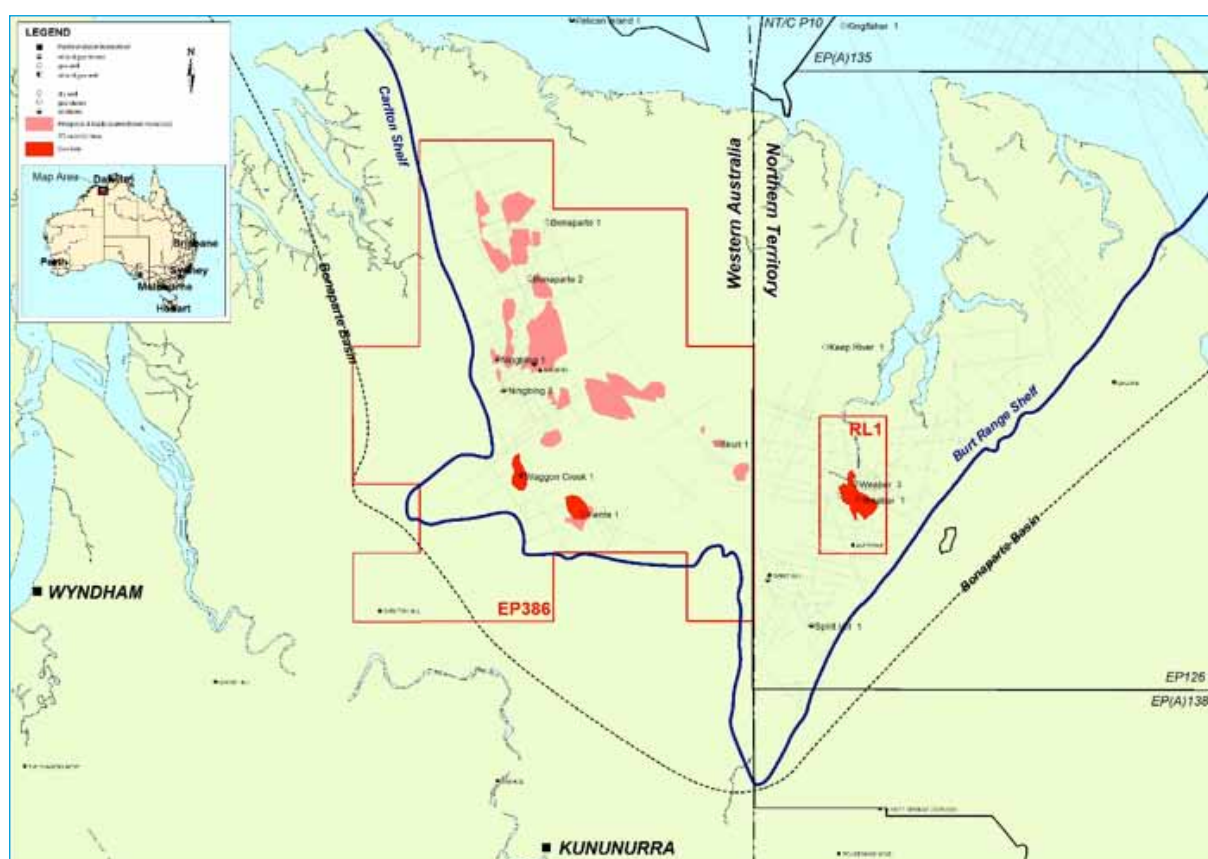
In the NT, Advent Energy holds Retention Licence RL-1 (166 square kilometres in area), which covers the Weaber Gas Field, originally discovered in 1985.

Advent Energy has previously advised that the 2C Contingent Resources* for the Weaber Gas Field in RL1 are 11.5 billion cubic feet (Bcf) of natural gas following an independent audit by RISC. Significant upside 3C Contingent Resources of 45.8 Bcf have also been assessed by RISC.

The results are summarised below:

| Weaber Field | 1C | 2C | 3C |
|------------------------------|------|------|------|
| Gas Initially In Place (Bcf) | 0.33 | 13.9 | 54.1 |
| Contingent Resources (Bcf) | 0.25 | 11.5 | 45.8 |

* Contingent Resources, as defined under the Society of Petroleum Engineers Petroleum Resource Management System (SPE PRMS) guidelines.



Location of EP386 and RL1 including the Weaber, Waggon Creek and Vienta gas fields, and other prospects and leads.

The current rapid development of the Kununurra region in northern Western Australia, including the Ord River Irrigation Area phase 2, the township of Kununurra, and numerous regional resource projects provides an exceptional opportunity for Advent Energy to potentially develop its nearby gas resources.

Advent Energy is in an exceptional position to potentially satisfy this growing regional demand where it remains the operator and 100% owner of key petroleum permits in this region.

Unconventional Resources Within EP386 and RL1

The prospectivity of the Bonaparte Basin is evident from the known oil and gas fields in both the offshore and onshore portions of the basin. Advent Energy's onshore EP386 and RL1 contain many large structures with conventional reservoir gas discoveries.

Advent Energy has identified significant shale areas in EP386 and RL1 and is continuing to assess these resources. The following data illustrates detail from that study showing results from the re-analysis of the well logs from prior drilling in Advent Energy's areas using enhanced computer processes.

- Advent Energy has indicated significant potential upside in prospective shale gas resources with estimated unrisks original gas in place (OGIP) in the range from 19 TCF to 141 TCF for the 100% Advent Energy owned EP386 and RL1;
- The thickness of the prospective shale gas play varies from 300m to over 1500m;
- In addition to the existing gas discoveries in conventional petroleum reservoirs, composite wireline and mudlog gas display of these wells have consistently indicated the presence of continuous elevated gas shows. Source rock analyses on core, sidewall core and cuttings samples have indicated the presence of source rocks with up to 4.3 % Total Organic Carbon (TOC) and mature for gas and oil generation; and
- **Advent has calculated 9.8 TCF prospective resource (best estimate) for the shale gas areas of the Bonaparte permits of EP386 and RL1. The low estimate is 1.9 TCF and the high estimate is 25.4 TCF prospective resources.**

Advent Energy has recognised a considerable potential hydrocarbon resource and is working toward identifying and understanding the nature of the unconventional shale gas/condensate play in its 100% owned EP386 and RL1 permits.

A recently published independent report has assessed the shale gas potential in Australia's sedimentary basins, and has described a 6 trillion cubic feet (Tcf) resource for the onshore Bonaparte Basin, equal to a 1.09 billion barrels of oil equivalent (BOE) resource.

The report, titled *Engineering energy: unconventional gas production*, as a study of shale gas in Australia was undertaken by the Australian Council of Learned Academies (ACOLA). The ACOLA resource assessment made in the onshore Bonaparte Basin was assessed from the Milligans Formation gas zone.

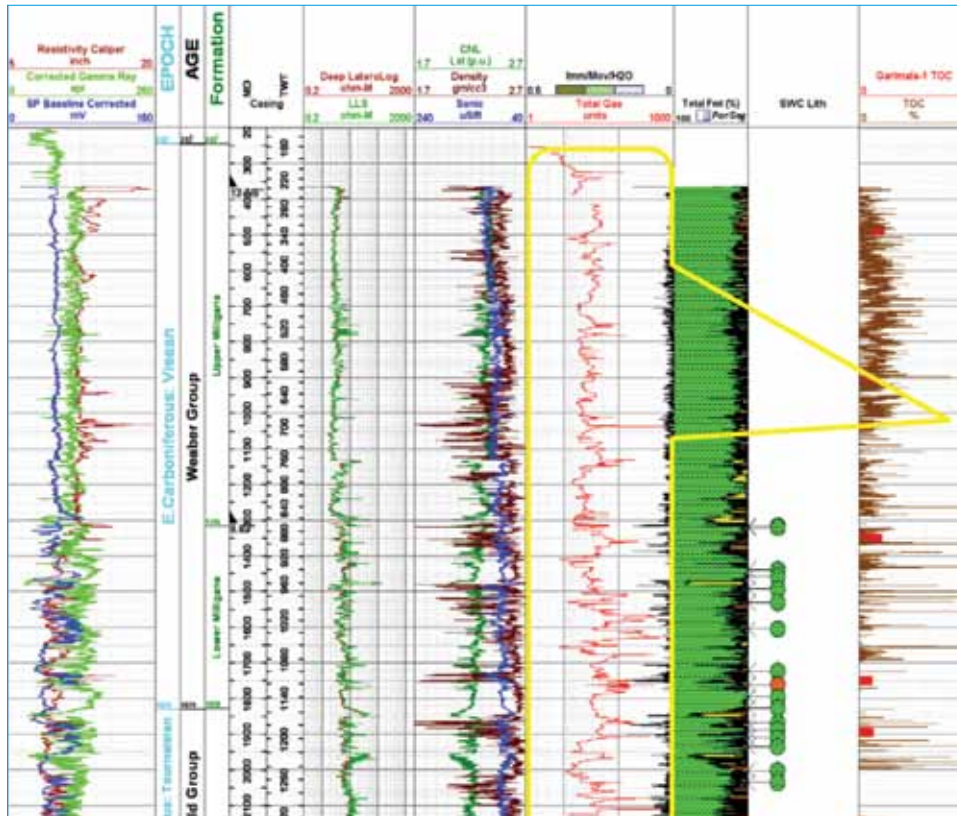
In calculating the recoverable gas resource of 6 Tcf (over 1 billion BOE), the ACOLA report uses a figure of only 120 feet (36 metres) as a shale thickness.

Advent Energy has previously analysed the well logs of 16 conventional wells drilled in its areas in the Bonaparte Basin.

The thickness of the shales in these wells within the Milligans Formation varies from 300 metres to 1700 metres (984 feet to 5574 feet), and is materially thicker than the ACOLA figure.

Company Focus and Developments

Garimala-1: Elevated Gas Shows over Milligans-Langfield Section



Elevated gas shows over 1700m in shale/siltstone section. TOC from Lab matched well with computed value from logs and maximum TOC value can be up to 5%(right column).

Example well composite log from Garimala-1 demonstrating elevated gas shows over a considerable shale sequence. Composite well logs from all onshore Bonaparte Basin wells demonstrate similar characteristics.

Unconventional Resources Within EP386 and RL1 (continued)

The ACOLA report also used a TOC of 1.8% in deriving its assessment of shale source. Advent Energy has reprocessed its well logs and observed TOC of up to 5% in a number of wells. Gas flow results from the conventional gas wells in Advent Energy's acreage have been up to 4.5 million standard cubic feet per day (MMscf/d).

Whilst encouraging that one of Australia's premier petroleum producing basins is finally getting the recognition it deserves for its rich petroleum potential, the report's assessment of the onshore Bonaparte Basin's shale gas potential has not had the benefit of using information now available from the reprocessed petrophysical logs from the numerous wells in the area. This additional information provides further confidence in their findings and impacts positively on the potential estimates of unconventional gas resources in the area.

PEP11 Oil and Gas Permit

Advent Energy, through wholly owned subsidiary Asset Energy Pty Ltd (Asset), holds 85% of Petroleum Exploration Permit PEP11 – an exploration permit prospective for natural gas located in the Offshore Sydney Basin. Joint Venture partner Bounty Oil & Gas NL holds the remaining 15%.

PEP11 is a significant offshore exploration area with large scale structuring and potentially multi-Trillion cubic feet (Tcf) gas charged Permo-Triassic reservoirs.

The prospectivity of this proven petroleum basin has been enhanced by the confirmation of the presence of apparent ongoing hydrocarbon seeps. Sub-bottom profile data, swath bathymetry, seismic and echosounder data collected by Geoscience Australia along the continental slope / permit margin has demonstrated active erosional features in conjunction with geophysical indications of gas escape.

Advent Energy has previously interpreted significant seismically indicated gas features. Key indicators of hydrocarbon accumulation features have been interpreted following review of the 2004 seismic data (reprocessed in 2010). The seismic features include apparent Hydrocarbon Related Diagenetic Zones (HRDZ), Amplitude Versus Offset (AVO) anomalies and potential flat spots.

Mapped prospects and leads within the Offshore Sydney Basin are generally located less than 50km from the Sydney-Wollongong-Newcastle greater metropolitan area. This area has a population of approximately 5,000,000 people.



Company Focus and Developments

PEP11 Oil and Gas Permit (continued)

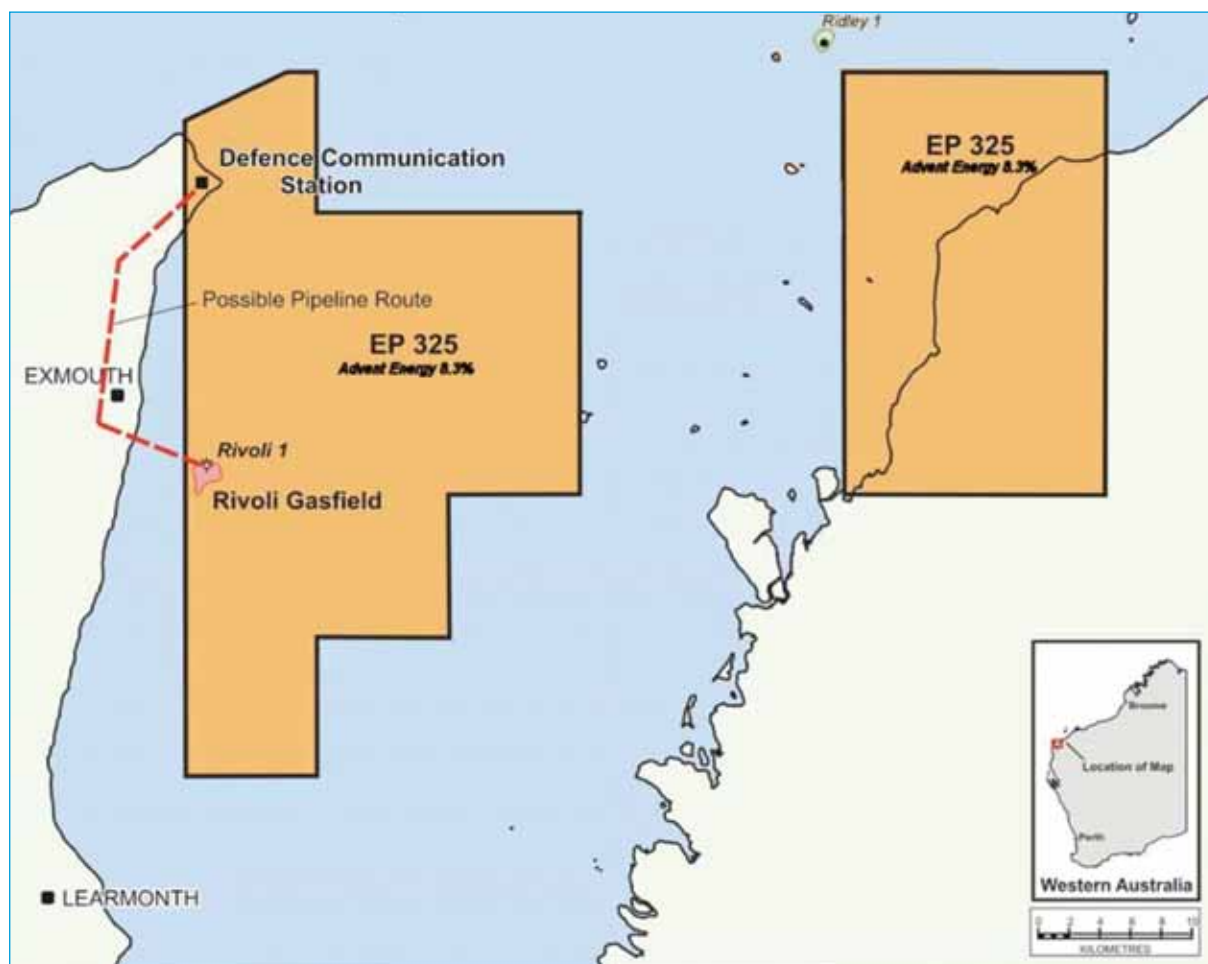
Advent Energy has demonstrated considerable gas generation and migration within PEP11, with the mapped prospects and leads highly prospective for the discovery of gas.

On 21 August 2013 Advent Energy subsidiary Asset settled its dispute with Fugro Services Pty Ltd and RPS Energy following a court appointed mediation. The dispute between Asset, Fugro and RPS arose over performance and fees in connection with pre-drilling site survey works conducted by Fugro in PEP11 in 2010. Asset settled Fugro's claim of \$2.2 million with a payment of \$100,000.

Preparations have commenced for seismic acquisition in PEP11 offshore Sydney Basin, offshore NSW. Pending the necessary regulatory approvals and contracting of a suitable seismic vessel, the survey is intended to take place over a 4 – 5 week period between November 2014 and May 2015.

Western Australia – Exmouth Sub-Basin (EP325)

Advent Energy Ltd has an 8.3% interest (Permit Operator: Strike Energy Ltd) in a shallow, near shore permit in the Exmouth sub-Basin region of the Carnarvon Basin, which contains the undeveloped Rivoli Gas Field. The Rivoli Gas Field contains approximately 6.8 – 18 PJ of gas. The permit also contains the Rivoli Deep prospect and other leads. The Joint Venture has applied to the Western Australian Department of Mines and Petroleum (DMP) for a conversion of the graticular blocks comprising Rivoli and nearby prospects and leads into a Retention Lease.





BPH Energy Limited

BPH Energy (BPH) is a diversified company holding investments in biotechnology and resources. BPH also holds a significant interest (27.4%) in unlisted oil and gas exploration company Advent Energy Ltd.

BPH was formed in 2004 and is a listed company on the Australian Securities Exchange under code BPH. The company is also commercialising a portfolio of Australian biomedical technologies emerging from research by leading Universities, Medical Institutes and Hospitals across Australia.

Molecular Discovery Systems

Drug Discovery and High-Content Screening Technology

After careful consideration of general market conditions and of its available resources, Molecular Discovery Systems Limited (MDSystems) has decided to temporarily suspend its early stage drug discovery program. Although the Company has suspended its early stage drug discovery program, MDSystems is continuing its work with the Harry Perkins Institute of Medical Research ("Perkins Institute") in relation to the tumour suppressor gene, HLs5. MDSystems will continue working with the Perkins Institute to develop and validate HLs5 as a tumour suppressor.

MDSystems also has core expertise in high-content imaging and analysis. MDSystems' owned IN Cell Analyser 1000 (GE Healthcare) is a semi-automated cellular imaging and analysis platform that combines high-resolution imaging and high-content analysis to provide a technology that rapidly detects and quantifies cellular properties much faster than conventional methods. MDSystems has developed and applied a range of high-content analysis protocols to analyse diverse cellular processes such as cell proliferation, cell cycle progression, apoptosis, cytoskeletal changes and dynamics of intracellular organelles.

Company Focus and Developments

Drug Discovery and High-Content Screening Technology (continued)

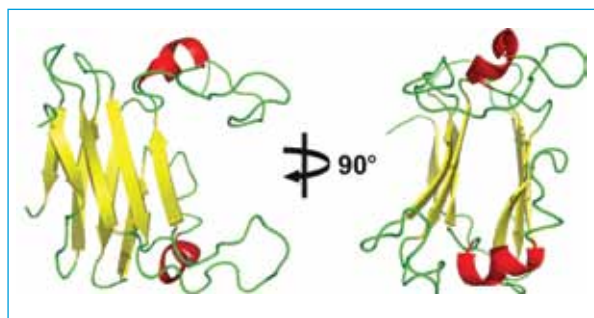
Screening of chemical libraries using high content imaging has become a powerful tool in drug discovery, widely used in the many stages of drug development. High-content screening (HCS) not only enables the end user to monitor the effects of drugs on complex molecular events but phenotypic changes of the whole cell can be observed. HCS thereby offers a valuable platform to identify modulators of a multitude of intractable molecular and cellular targets.

Using high-content imaging and computational analyses MDSystems has previously screened for the effects of small molecules and natural extracts on cancer cell proliferation, these image-based drugs screening has now yielded several new compounds that potently inhibit cancer cell proliferation.

In light of the encouraging results obtained previously using image-based drug screening, MDSystems has endeavoured to further develop and exploit this technology in an effort to identify new oncology drug candidates. By employing the semi-automated high-throughput imaging platform MDSystems has continued to develop a number of high content drug screens. These screens have identified compounds which have shown to interfere with a number of cancer associated signalling pathways. The identified compounds will require further optimisation before pre-clinical studies can be initiated.

HLS5 Technology

MDSystems is working with Professor Peter Klinken and his team at the Perkins Institute to develop and validate HLS5 as a novel tumour suppressor gene. A concerted research effort by leading Australian scientists has revealed that HLS5 works through multiple pathways that may target cancer as well as a range of other diseases such as Huntington's, Parkinson's and HIV infection.



The team at the Perkins Institute have uncovered a role for Hls5 in leukaemia and breast cancer. Hls5, also known as TRIM 35, is a member of the family of tripartite motif (TRIM) containing proteins. Recent studies have indicated that several TRIM proteins function as important regulators in cancer development and progression. Research conducted at the Perkins Institute has shown that Hls5 has significant tumour suppressor properties. Their findings are supported by an independent publication implicating the role of Hls5 in cancer, demonstrating that the loss of Hls5 expression may be a critical event in liver cancer. MDSystems will continue working with Professor Peter Klinken and his research group at the Perkins Institute with the aim of developing the Hls5 research to its full potential.

MDSystems has an extensive patent portfolio encapsulating the tumour suppressor gene Hls5 both as a potential therapeutic target and also underpinning its involvement in a variety of disease pathways. The patent portfolio surrounding Hls5 is currently going through the various stages of the patent application process in Australia, Europe and the US. The patent "Tumour Suppressor Factor" has been issued as a patent in the United States of America and Australia. Additionally, the patents titled 'Sumoylation control agent and uses thereof', 'Agent for the treatment of hormone-dependent disorders and uses thereof' and 'Transcription factor modulator' have been issued in Australia.

Cortical Dynamics Limited

BAR Technology

Cortical Dynamics Limited ("Cortical") is working with the Swinburne University of Technology (SUT) to develop and commercialise a unique depth of anaesthesia monitoring system for use during major surgery. The core technology is based on real time analysis of the patient's brain electrical activity, electroencephalograph (EEG), using a proprietary algorithm based on a mathematically and physiologically detailed understanding of the brain's rhythmic electrical activity.

The theory developed by Professor David Liley, who heads the scientific team at Cortical, provides for the first time a meaningful way of relating brain electrical activity to the underlying physiological processes that generate EEG. Using this physiological approach Cortical has developed the Brain Anaesthesia Response (BAR) monitor, a monitor designed to better detect the effect of anaesthetic agents on brain activity and assist anaesthetists in keeping patients optimally anaesthetised. The BAR monitor distinguishes between changes in higher brain function that occur as result of anaesthetic action using two uniquely defined measures Cortical State (CS) and Cortical Input (CI).

Cortical's physiological approach is fundamentally different from all other devices currently available on the market which produce EEG indexes based on black boxed statistical approaches. Such data mining requires no physiological knowledge of how anaesthetic agents affect the brain. Cortical is confident that the BAR's methodology and unique indices will be a more sensitive measure of the state of the brain during anaesthesia than the current alternatives. Moreover, this unique physiological approach may allow the BAR monitor to be applied to markets beyond that of anaesthesia monitoring and may be applied to neuro-diagnostic applications, including the detection of the early onset of neurodegenerative diseases such as Alzheimer's and Parkinson's, and in development of drugs associated with these conditions.

Funding received from a National Health and Medical Research Council Development Grant enabled substantial improvements in the performance of the BAR monitor. In particular, it has resulted in the development of a modified sensor layout having improved performance and sensitivity, as well as an upgrade of the data acquisition module to enable a greater resilience to the effects of noise and artefact in a range of clinical monitoring situations.

Company Focus and Developments

BAR Technology (continued)

Using data collected from a third party's hardware, two clinical trials were initially completed to evaluate the BAR algorithm. The first trial was designed to test the sensitivity of a new method in quantifying the effect various levels of nitrous oxide have on measures of anaesthetic depth. The results were published in the peer reviewed international journal Computers in Biology and Medicine. The second trial was designed to evaluate the sensitivity of the BAR methodology to opioids and other intravenous anaesthetic drugs. These trials have provided evidence that the BAR algorithm is more sensitive than competitive monitors in detecting the effects of anaesthetics on brain activity.

In order to corroborate the results of the trial above, a data set, from a similarly constructed trial, was obtained from Professor Michel Struys from the Department of Anaesthesia, Ghent University Hospital Belgium and Professor Tarmo Lipping from the Tampere University in Finland. The analysis of this European data set using the BAR's methodology unambiguously indicated that the effects of remifentanyl (a powerful synthetic opioid) and propofol (a widely used intravenous general anaesthetic agent) on brain electrical activity can be differentiated. These results suggest that analgesia and anaesthesia may be monitored independently using the EEG. The results of this analysis have been presented at the Australian and New Zealand College of Anaesthetists (ANZCA), and also published in the prestigious journal Anesthesiology in 2010.

In what has already been a methodical validation process Cortical has completed its first human clinical trial using the BAR monitor end-to-end (from electrode to monitor). The aim of trial was to (a) evaluate the BAR monitor's ability to distinguish between two doses of fentanyl, a commonly used analgesic agent, and (b) assess the immunity of the BAR monitor to a range of mechanical and electrical artifacts known to complicate EEG measurement. In the study a total of 25 patients undergoing coronary artery graft bypass surgery were recruited in to the trial.

Significantly, the analysis concluded that CI could differentiate between the different doses of fentanyl while CS was well correlated with the Bispectral Index (BIS), a generally accepted measure of sedation. In addition this trial demonstrated the ability of the BAR monitor to operate effectively in an electrically noisy operating room environment. The trial's findings suggest that the BAR monitor may find significant utility in the delivery of optimal and balanced surgical anaesthesia. The validation of the BAR monitor within the operating room is a significant step in the BAR's development program.

Cortical has partnered with the University of Melbourne in an Australian Research Council (ARC) Linkage Agreement. The project is using advanced computing methods applied to EEG recordings to track how the brain changes as a person undergoes general anaesthesia. Cortical anticipates the ARC project will add new processing capabilities to the BAR monitor, providing the framework for an improved depth of anaesthesia monitor.

Cortical has 5 patent families that have all matured into National patent applications variously in Australia, Europe, New Zealand the United States, China and Japan. "Method of monitoring brain function" has been issued as a patent in New Zealand (541615), Australia (2004206763), Japan (4693763) and the United States (7937138). The patent "Brain Function Monitoring and Display System" has been issued in the People's Republic of China (ZL200780027482.8), New Zealand (573460), Japan (5194290), Australia (2007257335) and the United States (8175696). Additionally, the patent "EEG Analysis System" has been issued in New Zealand (573459), Australia (2007257336), Japan (5194291)*, China (ZL200780027483.2) and the United States (8483815). The patent "Neurodiagnostic Monitoring and Display System" has been issued as a patent within Australia (2007354331). Cortical will continue to drive the development of the BAR monitor, maintain its intellectual property and concentrate on obtaining regulatory approval for the BAR monitor.

* Due to a requirement of Japanese law the original patent application title of 'EEG Analysis System' was changed to 'Method for displaying the activity of a brain and system for displaying the activity of the brain'.

Diagnostic Array Systems

Diagnostic Array Systems (DAS) has created the BacTrak™ System which is a diagnostic test for the detection of respiratory infections (e.g. diagnosis of pneumonia, Tuberculosis (TB) and Legionella disease). Our system identifies the cause of disease by testing for multiple bacteria in a single sputum sample quickly, efficiently and more accurately than current techniques. The test has important implications for the clinical management of infectious diseases by identifying the specific bacteria responsible for a disease and suggesting the most effective therapy. Utilisation of the novel test is intended to provide more information, quicker than alternative methods. It has the potential to accelerate therapeutic treatment, lead to a reduction in hospitalisations and help reduce the overuse of antibiotics.

Amongst all infectious diseases, respiratory diseases are the most common illnesses in the world. They are highly contagious and are easily spread. The disease causing bacteria can remain in the air where they can easily reach other individuals by inhalation. The number of patients suffering from respiratory infections is increasing, as is the number of deaths caused by these diseases. DAS has completed its research with in-house validation and has held discussions with third parties to license the technology.

BPH has assisted with funding the development of BacTrak™ which includes a number of key features that underpin its commercial potential.

These include:

- Rapid simultaneous detection of 16 respiratory pathogens including Tuberculosis (TB), Legionella, and Methicillin Resistant Staphylococcus Auus (MRSA).
- Results within hours rather than days using the current culture gold standard.
- Sensitivity and positive confirmation for the 16 pathogens from easily obtained clinical sputum samples.

Direct benefits from the project development include:

- Earlier, pathogen specific treatment;
- Shorter length of hospital stay;
- Earlier potential isolation of hospital patients; and
- Reduction in the over-prescription of broad-spectrum antibiotics.

The core technology underlying this multiplexed screening has been granted in the US, Australia and Japan.

Directors' Report

The directors of Grandbridge Limited present their report on the company and its controlled entities for the financial year ended 30 June 2014.

Directors

The names of directors in office at any time during or since the end of the year are:

D L Breeze

K G Hollingsworth

D Ambrosini

Company Secretary

Ms Deborah Ambrosini continues in her role of company secretary. She also holds the position of Chief Financial Officer of the Company and has over 15 years' experience in Corporate accounting roles.

Principal Activities

The principal activity of the economic entity during the financial year was the development of the company's investments in investees BPH Energy Limited, MEC Resources Ltd and Advent Energy Ltd.

There were no significant changes in the nature of the economic entity's principal activities during the financial year.

Operating Results

The consolidated loss of the economic entity after providing for income tax amounted to \$40,410 (2013: \$325,745).

Dividends

The directors recommend that no dividend be paid in respect of the current period and no dividends have been paid or declared since the commencement of the period.

Review of Operations

The decrease in the value of listed investments has resulted in a net loss on the revaluation of investments of \$4,526 (2013 net loss: \$541,935) for the year end 30 June 2014. During the year the main focus of the company has been preparing and executing strategic initiatives and investment activities in the resources sector and corporate advisory work principally involving the company's investments into BPH Energy Limited, Advent Energy Ltd and MEC Resources Ltd.

Financial Position

The net assets of the economic entity have decreased by \$37,099 to \$12,144,138 at 30 June 2014.

Significant Changes in State Of Affairs

There were no significant changes in the state of affairs of the economic entity other than that referred to in the financial statements or notes thereto.

After Balance Date Events

There have not been any matters or circumstances that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Future Developments

The economic entity will continue to develop and expand the business of investing in the private and equity markets.

Current Investments

BPH Energy Limited

BPH Energy Limited ("BPH") is a diversified company holding investments in the biotechnology and resources sector. BPH holds a significant interest in unlisted oil and gas exploration company, Advent Energy Ltd, targeting multi-trillion cubic feet (Tcf) prospective resources. BPH is also commercialising a portfolio of Australian biomedical technologies emerging from collaborative research by leading universities, medical institutes and hospitals across Australia.

Biomedical technologies in the commercialisation stage include:

- Diagnostic Array Systems Pty Ltd; BacTrak (a faster and more effective method for detecting infectious disease)
- Cortical Dynamics Limited's Brain Anaesthesia Response (BAR) Monitor; a device that measures a patient's brain electrical activity (EEG) to indicate the response to drugs administered during surgery
- HLS5 Tumour Suppress Gene; a genetic marker for early and accurate cancer detection

Molecular Discovery Systems Limited

Molecular Discovery Systems Limited ("MDSYSTEMS"), launched in 2006 and spun off from BPH in 2010, is an associate of BPH and conducts drug discovery and validation of biomarkers for disease, therapy and diagnostics.

Directors' Report

Current Investments (continued)

MEC Resources Ltd

Grandbridge Limited successfully coordinated the spin off and Australian Securities Exchange listing of the energy and minerals investment company MEC Resources Ltd (MEC).

MEC is registered as a Pooled Development Fund under the Pooled Development Fund Act (1992). It has been formed to invest in exploration companies that are targeting potentially large energy and mineral resources.

MEC provides carefully selected companies in the energy and mineral exploration sectors with development and exploration funding. MEC has identified investment opportunities with a number of specific characteristics including: large targets; a stage of development that permits a strategic investor or IPO within several years; strong and experienced management team and a definitive competitive advantage.

Most individual investors will pay no capital gains tax on the sale of their MEC shares and have the opportunity to receive dividends completely tax free.

Advent Energy Ltd - Oil and Gas

Advent Energy has assembled a range of hydrocarbon permits which contain near term production opportunities with pre-existing infrastructure and exploration upside.

Advent Energy's assets include EP386 and RL1 (100%) in the onshore Bonaparte Basin in the north of Western Australia and Northern Territory, PEP11 (85%) in the offshore Sydney Basin and EP325 (8.3%) in the Exmouth Sub-basin of the Carnarvon Basin near Exmouth in WA. Advent Energy's portfolio of assets has an estimated AUD \$156m invested historically on exploration.

Advent Energy is investigating a considerable potential shale gas resource within EP386 and RL1. Studies indicate significant potential upside in prospective shale gas resources with an estimated (Best Estimate) prospective recoverable resource of 9.8 Tcf (Low Estimate is 1.9 Tcf and High Estimate is 25.4 Tcf).

A 2C Contingent Resource of 11.5 Bcf (1C is 0.3 Bcf and 3C is 45.8 Bcf) for the Weaber Gas Field (RL1) has been assessed by an independent third party as a component of Advent Energy's drive to commercialise its 100% owned onshore Bonaparte Basin assets. The rapid development of the Kununurra region in northern Western Australia, including the Ord Irrigation Expansion Project and numerous resource projects, provides an exceptional opportunity for Advent Energy to potentially develop its nearby gas resources for the benefit of the region along with Advent Energy and its shareholders.

The Sydney Basin is a proven petroleum basin with excellent potential for the discovery of gas and oil. Advent Energy has demonstrated an active hydrocarbon system with seeps reported in the offshore area and sampling has indicated the presence of thermogenic hydrocarbon gas. This is considered to occur in basins actively generating hydrocarbons and/or that contain excellent migration pathways. Previous drilling has shown that the early Permian geological sequence is mature for hydrocarbons.

Undiscovered prospective recoverable gas resources for structural targets within the PEP11 offshore permit have been estimated at 5.7 Tcf (at the Best Estimate level). A Low Estimate of 0.3 Tcf and High Estimate of 67.8 Tcf has been assessed by Pangean Resources in 2010. PEP11 lies adjacent to the most populous region of Australia and the major industrial hub and port of Newcastle.

Information on Directors

D L Breeze

Managing Director and Executive Chairman – Age 60

Shares held – 10,023,502

Unlisted Options held – 2,000,000

David Breeze is a Corporate Finance Specialist with extensive experience in the stock broking industry and capital markets. He has been a corporate consultant to Daiwa Securities; was formerly Manager of Corporate Services for Eyres Reed McIntosh and the State Manager and Associate Director for the stock broking firm BNZ North's.

David has a Bachelor of Economics and a Masters of Business Administration, and is a Fellow of the Financial Services Institute of Australasia, and a Fellow of the Institute of Company Directors of Australia. He has published in the Journal of Securities Institute of Australia and has also acted as Independent Expert under the *Corporations Act 2001*. He has worked on the structuring, capital raising and public listing of over 70 companies involving in excess of \$250M. These capital raisings covered a diverse range of areas including oil and gas, gold, food, manufacturing and technology.

David also holds directorships in other listed entities including MEC Resources Ltd and BPH Energy Limited.

K G Hollingsworth

Non-Executive Director – Age 61

Shares held – 70,002

Unlisted Options held – 250,000

Kevin Hollingsworth is a Certified Practising Accountant, a Cost and Management Accountant and a Registered Tax Agent. Mr Hollingsworth is a Fellow of CPA Australia. He is also a Past Councillor and Past Chairman of their National Industry and Commerce Committee. Mr Hollingsworth is also a Fellow of The Chartered Institute of Management Accountants (UK) (CIMA). He is also Past National President of CIMA Australia and is currently a National Councillor of CIMA Australia.

Mr Hollingsworth spent 10 years working for small and medium size enterprises in England before returning to Australia to set up his own accountancy business and advisory company in the early 1980's.

His company specialises in providing services to small and medium enterprises including Strategic Business Advice, Financial Management, Business Planning and Controls, Business Appraisals, Management and Analytical Assessments and Strategic Management Accounting.

Directors' Report

Information on Directors (continued)

D Ambrosini

Executive Director and Company Secretary – Age 40

Shares held – nil

Unlisted Options held – nil

Deborah is a chartered accountant with over 15 years' experience in accounting and business development spanning the biotechnology, mining, IT communications and financial services sectors. She has extensive experience both nationally and internationally in financial and business planning, compliance and taxation.

Deborah is a member of the Institute of Chartered Accountants in Australia and was a state finalist in the 2009 Telstra Business Woman Awards. Deborah was also a recipient of the highly regarded 40 under 40 award held by the WA Business News.

Deborah is also a director of ASX listed BPH Energy Limited and MEC Resources Ltd.

Remuneration Report (Audited)

This report details the nature and amount of remuneration for key management personnel of Grandbridge.

Key Management Personnel

D L Breeze – *Executive Chairman and Managing Director (CEO)*

K G Hollingsworth – *Non-Executive Director*

D Ambrosini – *Executive Director and Company Secretary*

Remuneration Policy

The remuneration policy of Grandbridge Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives as determined by the board and/or shareholders. The remuneration report as contained in the 2013 financial accounts was adopted at the company's 2013 annual general meeting. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The remuneration for all executive packages is reviewed annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholders' value. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using an appropriate valuation methodology.

The board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Payments to non-executive directors are based on market practice, duties and accountability. Independent external advice is sought when required on payments to non-executive directors. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

The board does not have a policy in relation to the limiting of risk to directors and executives in relation to the shares and options provided.

Employment contracts of directors and senior executives

The employment conditions of the managing director, David Breeze, and Chief Financial Officer Deborah Ambrosini are formalised in contracts of employment. The directors are permanent employees of Grandbridge Limited. The employment contract of the managing director stipulates a six month resignation period. The company may terminate an employment contract without cause by providing six months written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment of six months of the individual's fixed salary component. The CFO's contract stipulates a four week notice period. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

Directors' Report

Remuneration Report (Audited) (continued)

Details of Remuneration for the year ended 30 June 2014

The remuneration for each director and each of the executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

Key Management Personnel Compensation

2014

| Key Management Person | Short-term Benefits | | | | Post-employment Benefits |
|-----------------------|---------------------|-------|------------------|-------|--------------------------|
| | Cash, Salary & Fees | Bonus | Non-cash benefit | Other | Superannuation |
| D L Breeze | 127,616 | - | - | - | 7,179 |
| K G Hollingsworth | 25,000 | - | - | - | - |
| D Ambrosini | 200,950 | - | - | - | 16,275 |

2014 (continued)

| Key Management Person | Long-term Benefits | Share-based payment | | Total | Performance Related |
|-----------------------|--------------------|---------------------|---------|---------|---------------------|
| | Other | Equity | Options | \$ | % |
| D L Breeze | - | - | - | 134,795 | - |
| K G Hollingsworth | - | - | 2,603 | 27,603 | - |
| D Ambrosini | - | - | - | 217,225 | - |

2013

| Key Management Person | Short-term Benefits | | | | Post-employment Benefits |
|-----------------------|---------------------|-------|------------------|-------|--------------------------|
| | Cash, Salary & Fees | Bonus | Non-cash benefit | Other | Superannuation |
| D L Breeze | 127,616 | - | - | - | 6,985 |
| K G Hollingsworth | 25,000 | - | - | - | - |
| D Ambrosini | 200,950 | - | - | - | 15,836 |

2013 (continued)

| Key Management Person | Long-term Benefits | Share-based payment | | Total | Performance Related |
|-----------------------|--------------------|---------------------|---------|---------|---------------------|
| | Other | Equity | Options | \$ | % |
| D L Breeze | - | - | - | 134,601 | - |
| K G Hollingsworth | - | - | - | 25,000 | - |
| D Ambrosini | - | - | - | 216,786 | - |

The following share-based payment arrangements were in existence relating to directors remuneration.

2014

| Option Series | Grant date | Expiry date | Grant date fair value | Grant date fair value | Vesting date | No. of Options |
|------------------|------------|-------------|-----------------------|-----------------------|--------------------|----------------|
| 28 November 2013 | 28/11/2013 | 31/12/2018 | \$0.12 | \$0.0104 | Vest at grant date | 250,000 |
| 12 November 2009 | 12/11/2009 | 31/12/2014 | \$0.35 | \$0.028 | Vest at grant date | 2,000,000 |

2013

| Option Series | Grant date | Expiry date | Grant date fair value | Vesting date | No. of Options |
|------------------|------------|-------------|-----------------------|--------------------|----------------|
| 13 November 2009 | 12/11/2009 | 30/09/2014 | 0.1158 | Vest at grant date | 2,000,000 |
| 3 December 2008 | 3/12/2008 | 31/12/2013 | 0.028 | Vest at grant date | 2,500,000 |

There are no further service or performance criteria that need to be met in relation to options granted.

There were no share based payments compensation provided to directors in the current year.

Company performance, shareholder wealth and director and executive remuneration

The following table shows the gross revenue and the operating result for the last 5 years for the listed entity, as well as the share price at the end of the respective financial years. Analysis of the actual figures shows a reduction in the net loss of the current year, due primarily to the favourable change in the value of listed investments, while the share price remained consistent.

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------------|-----------|-------------|-----------|-----------|----------|
| Revenue | 1,000,966 | 1,464,127 | 827,786 | 834,768 | 815,663 |
| Net Profit | 2,898,435 | (2,805,377) | (469,770) | (325,745) | (40,410) |
| Share price at Year end | \$0.18 | \$0.09 | \$0.05 | \$0.03 | \$0.03 |
| Earnings per share (cents) | 10.13 | (9.94) | (1.66) | (1.15) | (0.14) |

End of remuneration report.

Directors' Report

Meetings of Directors

During the financial year, one meeting of directors (including committees of directors) was held. Attendances by each director during the year were:

| | Directors' Meetings | |
|-------------------|---------------------------|-----------------|
| | Number eligible to attend | Number attended |
| D L Breeze | 1 | 1 |
| K G Hollingsworth | 1 | 1 |
| D Ambrosini | 1 | 1 |

Indemnifying Officers or Auditors

During or since the end of the financial year the company has not given an indemnity or entered an agreement to indemnify, but has paid or agreed to pay insurance premiums for directors and officers of the company.

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was \$11,649.

- D Breeze
- D Ambrosini
- K Hollingsworth

The company has not indemnified the current or former auditor of the company.

Options

At the date of this report, the unissued ordinary shares of Grandbridge Limited under option are as follows:

| Grant Date | Date of Expiry | Exercise Price | Number Under Option | Fair Value at Grant Date | Vesting Date |
|------------|----------------|----------------|---------------------|--------------------------|--|
| 12/11/2009 | 31/12/2014 | \$0.35 | 2,000,000 | \$0.028 | 12/11/2009 |
| 21/01/2011 | 21/01/2016 | \$0.45 | 100,000 | \$0.05 | 21/01/2014 |
| 1/07/2013 | 30/06/2018 | \$0.15 | 173,334 | \$0.004 | 01/07/2014 - 1/3 01/07/2015 - 1/3 01/07/2016 - 1/3 |
| 28/11/2013 | 31/12/2018 | \$0.12 | 250,000 | \$0.010 | 28/11/2013 |

During the year ended 30 June 2014 nil (2013: nil) ordinary shares of Grandbridge Limited were issued on the exercise of options granted under the Grandbridge Limited Employee Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

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

Proceedings on Behalf of Company

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

The company was not a party to any such proceedings during the year.

Environmental Issues

The consolidated group's operations are not subject to significant environmental regulation under Commonwealth law and State.

Non-audit Services

No fees for non-audit services were paid or payable to the external auditors during the year ended 30 June 2014 (2013: Nil).

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 26.

This directors' report is signed in accordance with a resolution of directors made pursuant to S298(2) of the *Corporations Act 2001*.

A handwritten signature in blue ink, appearing to read 'D. Breeze'.

David Breeze

Dated this 13th August 2014

Auditor Independence Declaration



Lead auditor's independent declaration under section 307C of the *Corporations Act 2001*.

To the directors of Grandbridge Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there has been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani B.Eng, CA

Director

Perth, 13 August 2014

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Corporate Governance

The board of directors of the company is responsible for the corporate governance of the economic entity. The board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure that the board is well equipped to discharge its responsibilities, it has established guidelines and accountability as the basis for the administration of corporate governance.

Corporate Governance Disclosures

Grandbridge Limited ("the company") and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The company and its controlled entities together are referred to as the group in this statement.

Composition of the Board

The composition of the board is determined in accordance with the following principles and guidelines:

- the board should comprise a reasonable level of independent non-executive directors;
- the board should comprise at least one director with an appropriate range of qualifications and expertise; and
- the board shall meet at regular intervals and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

When a vacancy exists, through whatever cause, or where it is considered that the board would benefit from the service of a new director with particular skills, the board selects a candidate or panel of candidates with the appropriate expertise.

The board then appoints the most suitable candidate, who must stand for election at the next general meeting of shareholders. The company does not have a formal Nomination Committee.

Remuneration and Nomination Committees

The company does not have a formal Remuneration or Nomination Committees. The full board attends to the matters normally attended to by a Remuneration Committee and a Nomination committee. Remuneration levels are set by the company in accordance with industry standards to attract suitable qualified and experienced directors and senior executives.

Audit Committee

The company does not have a formal Audit Committee. The full board carried out the functions of an Audit Committee. Due to the status of the company and the relatively straight forward accounts of the company anticipated in the financial year, the directors believe that at the moment there would be no additional benefits obtained by establishing such a committee. The board follows the Audit Committee Charter, a copy of which is available on request.

Corporate Governance

Board Responsibilities

As the board acts on behalf of and is accountable to the shareholders, it seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the economic entity is delegated by the board to the managing director. The board ensures that the managing director is appropriately qualified and experienced to discharge his responsibilities, and has in place procedures to assess the performance for the company's officers, employees, contractors and consultants.

The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board. It has a number of mechanisms in place to ensure this is achieved, including the following:

- Board approval of a strategic plan, designed to meet shareholder needs and manage business risk;
- Implementation of operating plans and budgets by management and board monitoring progress against budget; and
- Procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the company's expense.

Monitoring of the Board's Performance

In order to ensure that the board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is to be reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.

Best Practice Recommendation

Outlined below are the 8 Essential Corporate Governance Principles as outlined by the ASX and the Corporate Governance Council. The company has complied with the Corporate Governance Best Practice Recommendations except as identified below.

Action taken and reasons if not adopted

Principle 1: Lay solid foundations for management and oversight

The relationship between the board and senior management is critical to the group's long-term success. The directors are responsible to the shareholders for the performance of the group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the group is properly managed.

The responsibilities of the board include:

- providing strategic guidance to the group including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, and financial plans including major capital expenditure initiatives;
- overseeing and monitoring:
 - organisational performance and the achievement of the group's strategic goals and objectives and
 - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
- monitoring financial performance including approval of the annual and half-year financial reports;
- appointment, performance assessment and, if necessary, removal of the managing director;
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO and the company secretary;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organization; and
- overseeing the operation of the group's system for compliance and risk management reporting to shareholders.

Day to day management of the group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the managing director and senior executives.

Corporate Governance

Action taken and reasons if not adopted

Principle 2: Structure the board to add value

The board operates in accordance with the broad principles set out in its charter. The charter details the board's composition and responsibilities.

The board seeks to ensure that :

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the group and directors with an external or fresh perspective; and
- the size of the board is conducive to effective discussion and efficient decision-making.

Directors' independence

The board has adopted specific principles in relation to directors' independence. These state that when determining independence, a director must be a non-executive and the board should consider whether the director:

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- is or has been employed in an executive capacity by the company or any other group member within three years before commencing to serve on the board;
- within the last three years has been a principal of a material professional adviser or a material consultant to the company or any other group member, or an employee materially associated with the service provided;
- has a material contractual relationship with the company or a controlled entity other than as a director of the group;
- is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's independent exercise of their judgement.

Materiality for these purposes is determined on both quantitative and qualitative bases. A transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

The board assesses independence each year. To enable this process, the directors must provide all information that may be relevant to the assessment.

Board members

Details of the members of the board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the directors' report under the heading "Information on directors". At the date of signing the directors' report, there is one non-executive directors and two executive directors, one of whom has no relationships adversely affecting independence and so is deemed independent under the principles set out above.

- Mr Breeze has business dealings with the group as disclosed in note 22 to the financial report.
- Mr Breeze, although meeting other criteria, and bringing independent judgement to bear in his role, is not defined as an independent director.

Action taken and reasons if not adopted

Term of office

The company's constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election, subject to the following limitations:

- on attaining the age of 72 years a director will retire, by agreement, at the next AGM and will not seek re-election.

Chair and managing director

The chair is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives. In accepting the position, the chair has acknowledged that it will require a significant time commitment and has confirmed that other positions will not hinder his effective performance in the role of chair.

The managing director is responsible for implementing group strategies and policies.

The chairman does not satisfy the Independence test as the role of the chairman and the managing director is exercised by the same person. The board is of the opinion that the chairman's role as chairman of the board is appropriate given his experience and knowledge of the business.

Committees

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2014, and the number of meetings attended by each director is disclosed on page 24.

It is the company's practice to allow its executive directors to accept appointments outside the company. No appointments of this nature were accepted during the year ended 30 June 2014.

The company is not of a size at the moment that justifies having a separate Nomination Committee. However, matters typically dealt with by such a committee are dealt with by the Executive Committee.

Notices of meetings for the election of directors comply with the ASX Corporate Governance Council's best practice recommendations.

Corporate Governance

Action taken and reasons if not adopted

Principle 3: Promote ethical and responsible decision making

The company has developed a statement of values which has been fully endorsed by the board and applies to all directors and employees. The Statement is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the group's integrity and to take into account legal obligations and reasonable expectations of the company's stakeholders.

The Statement requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The company's share trading policy is set out on the company's website.

The purchase and sale of company securities by directors and employees is monitored by the board.

The company's policy regarding diversity is set out on the company's website.

The company's diversity policy does not include measurable objectives as the board believes that the company will not be able to successfully meet these given the size and stage of development of the company. If the company's activities increase in size, nature and scope in the future, the suitable measurable objectives will be agreed and put into place.

The company is committed to Diversity and Equal Opportunity within its workforce placing particular focus on the level of gender diversity at senior levels of the organisation. The company ensures this is achieved by :

- ensuring recruitment and selection practices enable the availability of a diverse candidate pool for appointments at senior levels;
- development of high potential women;
- implementation of flexible working arrangements and
- ensuring remuneration practices are free from gender bias.

Given the size of the company the directors do not consider it appropriate to set and include measurable objectives in relation to diversity within the annual report. Notwithstanding this the company strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to overall shareholder value and which reflects the values, principles and spirit of the Company's Diversity Policy.

One of Grandbridge's 3 directors is female.

Action taken and reasons if not adopted

Principle 4: Safeguard integrity in financial reporting

Adopted except as follows:-

The company does not have a separate Audit Committee. The full board carries out the functions of an Audit Committee. The board has the authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Due to the status of the company and the relatively straight forward accounts of the company, the directors at the moment can see no additional benefits to be obtained by establishing such a committee.

The board follows the Audit Committee Charter, a copy of which is available on request.

The company is not of a size at the moment that justifies having an internal audit division.

External auditors

The board's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Nexia was appointed as the external auditor in 2012. It is the Corporation Act's policy to rotate audit engagement partners on listed companies at least every five years. A partner should not be re-assigned to a listed entity audit engagement if this equates to the partner serving in this role for more than 5 out of 7 successive years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 6 to the financial statements. The external auditors provide an annual declaration of their independence to the board.

The external auditor will 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 audit report.

Principle 5&6: Make timely and balanced disclosures and respect the rights of shareholders Continuous disclosure and shareholder communication

The company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the group that a reasonable person would expect to have a material effect on the price of the company's securities. These policies and procedures also include the arrangements the company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The company secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Corporate Governance

Action taken and reasons if not adopted

Principle 5&6: Make timely and balanced disclosures and respect the rights of shareholders Continuous disclosure and shareholder communication (continued)

All information disclosed to the ASX is posted on the company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the group's operations, the material used in the presentation is released to the ASX and posted on the company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

All shareholders receive a copy of the company's annual (full or concise) and half-yearly reports. In addition, the company seeks to provide opportunities for shareholders to participate through electronic means. Recent initiatives to facilitate this include making all company announcements, media briefings, details of company meetings, and financial reports available on the company's website.

Principle 7: Recognise and manage risk

The board and senior executives are responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. The board actively promotes a culture of quality and integrity.

The responsibility for the operation and administration of the economic entity is delegated by the board to the managing director. The board ensures that the managing director is appropriately qualified and experienced to discharge his responsibilities, and has in place procedures to assess the performance for the company's officers, employees, contractors and consultants. The board receives monthly updates as to the effectiveness of the company's management of material risks that may impede meeting business objectives.

The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board. It has a number of mechanisms in place to ensure this is achieved, including the following:

- Board approval of a strategic plan, designed to meet shareholder needs and manage business risk;
- Implementation of operating plans and budgets by management and board monitors progress against budget;
- Procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the company's expense.

Control procedures cover management accounting, financial reporting, project appraisal, IT security, compliance and other risk management issues. The managing director is required to ensure that appropriate controls are in place to effectively manage the identified risks. This is monitored by the board on a monthly basis.

Action taken and reasons if not adopted

The environment

Information on compliance with significant environmental regulations is set out in the directors' report.

Corporate reporting

The managing director and CFO have made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

The company is not of a size at the moment that justifies having a separate Remuneration Committee. However, matters typically dealt with by such a committee are dealt with by the board.

The board makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The board also reviews gender pay equity on an annual basis to ensure equality.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading "Remuneration report". In accordance with group policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

The board with the managing director also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2014

| | | Consolidated | |
|--|------|--------------|------------|
| | Note | 2014 \$ | 2013 \$ |
| Revenue | 2 | 815,663 | 834,768 |
| Other income/(losses) | 2 | 17,943 | (541,264) |
| Administration expenses | | (193,190) | (209,140) |
| Consulting and Legal expenses | | (30,106) | (38,432) |
| Depreciation and amortisation expenses | | (3,955) | (6,074) |
| Employee expenses | 3 | (423,788) | (439,555) |
| Insurance expenses | | (28,484) | (36,532) |
| Occupancy expenses | | (83,385) | (88,550) |
| Other expenses from ordinary activities | | (14,301) | (23,745) |
| Profit/Loss Before Income Tax | | 56,397 | (548,524) |
| Income tax (expense)/ benefit | 4 | (96,807) | 222,779 |
| Profit/Loss from continuing operations | | (40,410) | (325,745) |
| Profit/Loss attributable to members of the parent entity | | (40,410) | (325,745) |
| Other Comprehensive income | | | |
| Items that will never be reclassified to profit or loss | | - | - |
| Items that are or may be reclassified to profit or loss | | - | - |
| Total Comprehensive loss for the period | | (40,410) | (325,745) |
| Loss Per Share – | | | |
| Basic loss per share (cents per share) | 7 | (0.14) | (1.15) |
| Diluted loss per share (cents per share) | 7 | (0.14) | (1.15) |

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 June 2014

| | | Consolidated | |
|--------------------------------------|------|--------------|-------------|
| | Note | 2014 \$ | 2013 \$ |
| Current Assets | | | |
| Cash and cash equivalents | 8 | 85,519 | 107,522 |
| Financial Assets | 9 | 160,000 | 383,760 |
| Other current assets | | 17,776 | 24,693 |
| Total Current Assets | | 263,295 | 515,975 |
| Non-Current Assets | | | |
| Financial assets | 9 | 16,471,626 | 15,990,414 |
| Property, plant & equipment | 10 | 4,045 | 8,000 |
| Deferred tax assets | 11 | 436,354 | 529,914 |
| Total Non-Current Assets | | 16,912,025 | 16,528,328 |
| Total Assets | | 17,175,320 | 17,044,303 |
| Current Liabilities | | | |
| Trade and other payables | 12 | 711,971 | 618,303 |
| Financial Liabilities | 13 | 55,166 | - |
| Short-term provisions | 14 | 84,194 | 86,636 |
| Total Current Liabilities | | 851,331 | 704,939 |
| Non Current Liabilities | | | |
| Long-term provisions | 14 | 45,375 | 26,482 |
| Deferred tax liabilities | 11 | 4,134,476 | 4,131,645 |
| Total Non Current Liabilities | | 4,179,851 | 4,158,127 |
| Total Liabilities | | 5,031,182 | 4,863,066 |
| Net Assets | | 12,144,138 | 12,181,237 |
| Equity | | | |
| Issued capital | 15 | 3,539,920 | 3,539,920 |
| Reserves | 16 | 10,246,140 | 10,242,829 |
| Accumulated losses | | (1,641,922) | (1,601,512) |
| Total Equity | | 12,144,138 | 12,181,237 |

The accompanying notes form part of these statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2014

| | Ordinary Share Capital \$ | Accumulated losses \$ | Option Reserve \$ | Asset Revaluation Reserve \$ | Total \$ |
|--|------------------------------------|-----------------------------|-------------------------|---------------------------------------|-------------|
| Balance at 1 July 2012 | 3,539,920 | (1,275,767) | 319,007 | 9,922,850 | 12,506,010 |
| Net loss for the year | - | (325,745) | - | - | (325,745) |
| Other comprehensive income net of income tax | - | - | - | - | - |
| Total Comprehensive income for the year | - | (325,745) | - | - | (325,745) |
| Transactions with owners in their capacity as owners | | | | | |
| Option expense during the year | - | - | 972 | - | 972 |
| Balance at 30 June 2013 | 3,539,920 | (1,601,512) | 319,979 | 9,922,850 | 12,181,237 |
| Balance at 1 July 2013 | 3,539,920 | (1,601,512) | 319,979 | 9,922,850 | 12,181,237 |
| Net loss for the year | - | (40,410) | - | - | (40,410) |
| Other comprehensive income net of income tax | - | - | - | - | - |
| Total Comprehensive income for the year | - | (40,410) | - | - | (40,410) |
| Transactions with owners in their capacity as owners | | | | | |
| Option expense during the year | - | - | 3,311 | - | 3,311 |
| Balance at 30 June 2014 | 3,539,920 | (1,641,922) | 323,290 | 9,922,850 | 12,144,138 |

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2014

| | | Consolidated | |
|---|---|------------------|------------------|
| | | 2014 | 2013 |
| Note | | \$ | \$ |
| Cash Flows From Operating Activities | | | |
| | Receipts from customers | 527,708 | 506,781 |
| | Payments to suppliers and employees | (651,488) | (715,809) |
| | Interest received | 3,632 | 1,658 |
| | Income taxes paid | (416) | - |
| 18 | Net cash provided used in operating activities | (120,564) | (207,370) |
| Cash Flows From Investing Activities | | | |
| | Loans and advances from related entities | 100,000 | 200,004 |
| | Payment for property, plant and equipment | - | (309) |
| | Net cash provided by investing activities | 100,000 | 199,695 |
| Cash Flows From Financing Activities | | | |
| | Interest paid | (1,439) | (1,142) |
| | Net cash used in financing activities | (1,439) | (1,142) |
| | Net increase (decrease) in Cash and Cash Equivalents Held | (22,003) | (8,817) |
| | Cash and Cash Equivalents At the Beginning Of The Financial Year | 107,522 | 116,339 |
| 8 | Cash and Cash Equivalents At The End Of The Financial Year | 85,519 | 107,522 |

The accompanying notes form part of these statements

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

1. Statement of Significant Accounting Policies

Corporate Information

The financial report includes the consolidated financial statements and the notes of Grandbridge Limited and its controlled entities ('Consolidated group' or 'group').

Grandbridge Limited is a company incorporated and domiciled in Australia. The company is listed on the ASX.

The financial report was authorised for issue on 13th August 2014 by the board of directors.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, and the *Corporations Act 2001*. Grandbridge Ltd is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where stated below.

Compliance with IFRS

The consolidated financial statements of the Grandbridge Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Financial Position

The consolidated entity has incurred a net profit before tax for the year ended 30 June 2014 of \$56,397 (30 June 2013: loss of \$548,524), which is mainly due to the decrease in the fair value loss compared to last year.

The consolidated entity has a working capital deficit of \$521,618 as at 30 June 2014 (30 June 2013: deficit of \$127,021) which includes cash assets of \$85,519 as at 30 June 2014 (30 June 2013: \$107,522) and trade creditors and other payables of \$711,971 (30 June 2013: \$618,303). Included in the working capital deficit are loan receivables of \$160,000 at 30 June 2014 (30 June 2013: \$383,760) from other entities that have sufficient cash resources to repay the loans to the company and an unsecured loan payable of \$55,166 (30 June 2013: \$nil).

Included in trade creditors and payables is director fee accruals of \$515,002 (30 June 2013: \$415,002). The directors have reviewed their expenditure and commitments for the consolidated entity and have implemented methods of costs reduction. The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their directors' fees to conserve cash resources.

The consolidated entity has investments in listed entities totalling \$411,761 as at 30 June 2014, which are classified as non-current assets in the statement of financial position. These assets are liquid and if required, a portion of these investments can be sold to obtain cash reserves for the consolidated entity.

The directors have prepared cash flow forecasts that indicate that the consolidated entity will have sufficient cash flows for a period of at least 12 months from the date of this report

Based on the cash flow forecasts, value of the listed investments and the recoverability of the related entity loan receivables, the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Accounting Policies

(a) Principles of Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

A list of controlled entities is contained in Note 17 to the financial statements. All controlled entities have a June financial year-end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

1. Statement of Significant Accounting Policies (continued)

Accounting Policies (continued)

(a) Principles of Consolidation (continued)

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

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

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

(iv) Changes in ownership interests

Changes in the group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the statement of financial position date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the profit and loss except where it relates to items that may be recognised directly to equity, in which case the deferred tax is adjusted directly outside profit and loss.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Grandbridge Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Grandbridge Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The group notified the Australian Taxation Office on 30 June 2006 that it had formed an income tax consolidated group to apply from 30 June 2006. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

1. Statement of Significant Accounting Policies (continued)

Accounting Policies (continued)

(c) Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost less accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss income during the financial period in which they are incurred.

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|----------------------|-------------------|
| Computers | 33 % |
| Office Furniture | 15 % |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Financial Instruments**Recognition and Initial Measurement**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit and loss income immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the profit and loss.

Classification and Subsequent Measurement*(i) Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives, or designated as measured at fair value to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories.

The group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss.

(iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

1. Statement of Significant Accounting Policies (continued)

Accounting Policies (continued)

(d) Financial Instruments (continued)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and valuation models using non-market inputs prepared by independent experts.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(e) Impairment of Assets

The group reviews non-financial assets, other than deferred tax assets, at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to statement of financial position. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Past services costs are recognised immediately in profit or loss.

(g) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(h) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 25). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

1. Statement of Significant Accounting Policies (continued)

Accounting Policies (continued)

(j) Revenue

Interest revenue is recognised when it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Revenue from the rendering of a service is recognised upon the delivery of the service to clients.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days. The carrying amounts of trade and other payables are assumed to be the same as their fair values due to their short-term nature. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(m) Share based payments

Share based compensation benefits are provided to employees via the company's Employee Option plan. The fair value of options granted under the Company's Employee Option Plan is recognized as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognized over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(n) Earnings per share

Basic earnings per share (EPS) is calculated as net profit/loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Included in the assets of the consolidated entity are amounts receivable of \$1,473,738 (30 June 2013: \$1,209,176). The directors believe that the full amount of the debt will be recoverable from each entity and accordingly no provision for impairment of receivables has been made at 30 June 2014. The directors obtained an independent expert's valuation report at year end which supports the recoverable amount of loan receivables. The recoverable amount exceeded the carrying value of the loans and hence no impairment loss was recognised.

Key Judgments – Fair Value of Financial Assets

The fair values of unlisted securities not traded in an active market are measured at fair value, using valuation methodologies- see Note 19.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

1. Statement of Significant Accounting Policies (continued)

Accounting Policies (continued)

(q) Application of New and Revised Accounting Standards

Standards adopted in the current year

The group has adopted a number of new or revised accounting standards this year that have resulted in changes in accounting policies in the financial statements.

(i) AASB 10 Consolidated Financial Statements, AASB 12 Disclosure of Interests in Other Entities (2011)

AASB 10 Consolidated Financial Statements was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements.

The group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests. As a result, the Group has expanded its disclosures about its interests in subsidiaries (see Note 17).

(ii) AASB 11 Joint Arrangements

AASB 11 replaces AASB 131 Interests in Joint Ventures and the guidance contained in a related interpretation, Interpretation 113 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in AASB 128 (as revised in 2011). AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.

Previously, AASB 131 Interests in Joint Ventures contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under AASB 131 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint

operation) and its expenses (including its share of any expense incurred jointly). Each joint operation accounts for the assets and, liabilities, as well as revenue and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

During the period, the Company did not hold investments in joint arrangements and consequently, the new standard did not have any impact in the interim financial report.

(iii) AASB 13 Fair Value Measurement (2011)

AASB 13 Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Previously the fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant. As a result of this change, the fair value of derivative liabilities changed on transition to AASB 13, due to incorporating own credit risk into the valuation.

As required under AASB 13, the change to fair value measurements on adoption of the standard is applied prospectively, in the same way as a change in an accounting estimate. Comparative amounts have not been restated.

(iv) AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'

This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result the Group only discloses the key management personnel compensation in total and for each of the categories required in AASB 124.

In the current year the individual key management personnel disclosure previously required by AASB 124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.

Standards in issue not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additional changes relating to financial liabilities.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

1. Statement of Significant Accounting Policies (continued)

Accounting Policies (continued)

(q) Application of New and Revised Accounting Standards (continued)

Standards in issue not yet adopted (continued)

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009) (continued)

The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. The standard is not expected to have a material impact on the group financial instruments.

(ii) AASB 1031 Materiality (2013)

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. The revised AASB 1031 is effective from 1 January 2014 and early adoption is not permitted.

AASB 1031 (2013) is effective for annual periods beginning on or after 1 January 2014 and not available for early adoption.

(iii) AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

The AASB approved amending Standard AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments on 20 December 2013. AASB 2013-9 incorporates the IASB's Standard IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39).

Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1 Amendments to the Australian Conceptual Framework. Part B mainly makes amendments to particular Australian Accounting Standards to delete references to AASB 1031.

Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments. The main amendments regarding financial instruments are as follows:

- to add Hedge Accounting and make consequential amendments to AASB 9 and numerous other Standards;
- to permit requirements relating to the 'own credit risk' of financial liabilities measured at fair value to be applied without applying any other requirements of AASB 9 at the same time; and
- to amend the mandatory application date of AASB 9 so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2017 instead of 1 January 2015.

AASB 2013-9 is effective for annual periods beginning on or after 1 January 2014.

2. Revenue

| | Consolidated | |
|--|----------------|------------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Revenue | | |
| Advisory / Corporate revenue | 814,616 | 833,110 |
| Interest revenue: other entities | 1,047 | 1,658 |
| Total revenue | 815,663 | 834,768 |
| Other income | | |
| Unrealised losses on financial investments (i) | (4,526) | (541,935) |
| Australian Taxation excess ac refund | 22,469 | 671 |
| | 17,943 | (541,264) |

(i) The company revalued its listed investments to market rates.

3. Expenses included in The Loss for the Year

| | | |
|------------------------|----------------|----------------|
| Expenses | | |
| Employee Expenses | | |
| Salary | 369,817 | 396,036 |
| Superannuation | 34,208 | 35,643 |
| Share based payments | 3,311 | 972 |
| Other Payroll expenses | 16,452 | 6,904 |
| Total expenses | 423,788 | 439,555 |

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

4. Income Tax Expense

| | | Consolidated | |
|---|--|---------------|------------------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| (a) The components of tax expense comprise: | | | |
| Adjustments recognised in the current year in relation to the current tax of prior years | | 416 | |
| Current tax | | - | - |
| Deferred income tax expense/(credit) | | 96,391 | (222,779) |
| | | <u>96,807</u> | <u>(222,779)</u> |
| Deferred income tax expense/(credit) included in income tax expense comprises: | | | |
| Decrease/(Increase) in deferred tax assets (note 11(c)) | | 93,560 | (61,315) |
| Increase/(Decrease) in deferred tax liabilities (note 11(c)) | | 2,831 | (161,464) |
| | | <u>96,391</u> | <u>(222,779)</u> |
| (b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows: | | | |
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%) | | 16,919 | (164,557) |
| Less tax effect of: | | | |
| -Non-deductible expenses | | (363) | - |
| Tax benefit of revenue losses not recognised | | 416 | - |
| Effect of previously unrecognised and unused tax losses now recognised as deferred tax assets | | 78,035 | - |
| Temporary differences | | 1,800 | (58,229) |
| Income tax expense/(benefit) recognised | | <u>96,807</u> | <u>(222,779)</u> |

5. Key Management Personnel Compensation

Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key Management Personnel

D L Breeze – Executive Chairman and Managing Director (CEO)

K G Hollingsworth – Non-Executive Director

D Ambrosini – Executive Director and Company Secretary

| | Consolidated | |
|------------------------------|---------------------|----------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Short term employee benefits | 353,566 | 353,566 |
| Long term employee benefits | 22,821 | 22,821 |
| Share based payments | 2,603 | - |
| | 378,990 | 376,387 |

Key management personnel remuneration has been included in the Remuneration report section of the Directors Report.

Shareholdings

Number of Shares Held by Key Management Personnel

2014

| | Balance 1.7.2013 | Received as Compensation | Options Exercised | Net Change Other | Balance 30.6.2014 |
|-----------------|-----------------------------|-------------------------------------|------------------------------|-----------------------------|------------------------------|
| D Breeze | 10,023,502 | - | - | - | 10,023,502 |
| K Hollingsworth | 70,002 | - | - | - | 70,002 |
| D Ambrosini | - | - | - | - | - |

2013

| | Balance 1.7.2012 | Received as Compensation | Options Exercised | Net Change Other | Balance 30.6.2013 |
|-----------------|-----------------------------|-------------------------------------|------------------------------|-----------------------------|------------------------------|
| D Breeze | 10,023,502 | - | - | - | 10,023,502 |
| K Hollingsworth | 70,002 | - | - | - | 70,002 |
| D Ambrosini | - | - | - | - | - |

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

5. Key Management Personnel Compensation (continued)

Options and Rights Holdings

Number of Options Held by Key Management Personnel

2014

| | Balance 1.7.2013 | Granted as Compen- sation | Options Exercised | Net Change Other* | Balance 30.6.2014 | Total Vested 30.6.2014 | Total Exercisable 30.6.2014 | Total Unexercisable 30.6.2014 |
|-----------------|---------------------|---------------------------------|----------------------|-------------------------|----------------------|------------------------------|-----------------------------------|-------------------------------------|
| D Breeze | 4,000,000 | - | - | (2,000,000) | 2,000,000 | 2,000,000 | 2,000,000 | - |
| K Hollingsworth | 250,000 | 250,000 | - | (250,000) | 250,000 | 250,000 | 250,000 | - |
| D Ambrosini | - | - | - | - | - | - | - | - |

2013

| | Balance 1.7.2012 | Granted as Compen- sation | Options Exercised | Net Change Other | Balance 30.6.2013 | Total Vested 30.6.2013 | Total Exercisable 30.6.2013 | Total Unexercisable 30.6.2013 |
|-----------------|---------------------|---------------------------------|----------------------|------------------------|----------------------|---------------------------|-----------------------------------|-------------------------------------|
| D Breeze | 4,000,000 | - | - | - | 4,000,000 | 4,000,000 | 4,000,000 | - |
| K Hollingsworth | 250,000 | - | - | - | 250,000 | 250,000 | 250,000 | - |
| D Ambrosini | - | - | - | - | - | - | - | - |

* The Net Change Other reflected above includes those options that have been forfeited by holders as well as options issued during the year under review.

6. Auditors' Remuneration

| | Consolidated | |
|---|--------------|--------|
| | 2014 | 2013 |
| | \$ | \$ |
| Remuneration of the auditor of the parent entity for: | | |
| - auditing or reviewing the financial report | | |
| Nexia Perth Audit Services | 16,500 | 15,300 |
| Remuneration of other auditors of subsidiaries for: | | |
| - auditing or reviewing the financial report | | |
| Nexia Perth Audit Services | 1,500 | 1,500 |
| | 18,000 | 16,800 |
| No non-audit services provided. | | |

7. Earnings per share

| | | Consolidated | |
|--|--|--------------|------------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| (a) Reconciliation of Earnings to Profit or Loss | | | |
| Net loss and profit attributable to members of the parent entity | | (40,410) | (325,745) |
| Loss used to calculate basic EPS | | (40,410) | (325,745) |
| Loss used in the calculation of dilutive EPS | | (40,410) | (325,745) |
| (b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | | No. | No. |
| | | 28,220,114 | 28,220,114 |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | | 28,220,114 | 28,220,114 |
| Loss per share | | (0.14) | (1.15) |

In 2014, the company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options will result in a decreased net loss per share.

8. Cash and cash equivalents

| | | Consolidated | |
|---|--|--------------|---------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| Cash at Bank and in hand | | 79,174 | 86,203 |
| Short-term bank deposits | | 6,345 | 21,319 |
| Reconciliation of cash | | 85,519 | 107,522 |
| Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows: | | | |
| Cash and cash equivalents | | 85,519 | 107,522 |

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

| | Consolidated | |
|--------------------------------------|--|-------------------|
| | 2014 | 2013 |
| | \$ | \$ |
| 9. Financial Assets | | |
| Current | | |
| Loans receivable (d) | 160,000 | 383,760 |
| Non Current | | |
| Security deposit (a) | 20,000 | 22,584 |
| Shares in controlled entities | | |
| Investments in listed entities (b) | 411,761 | 416,287 |
| Investments in unlisted entities (c) | 14,726,127 | 14,726,127 |
| Loans receivable (e)(d) | 1,313,738 | 825,416 |
| | <u>16,471,626</u> | <u>15,990,414</u> |
| (a) | The security deposit is for a performance bond provided by the company's bank to the Australian Securities and Investments Commission. | |
| (b) | Financial Assets carried at Fair Value through Profit and Loss - | |
| BPH Energy Limited | 27,113 | 33,891 |
| MEC Resources Limited | 360,648 | 370,396 |
| Strategic Elements Limited | 24,000 | 12,000 |
| Total | <u>411,761</u> | <u>416,287</u> |
| (c) | Available for sale financial assets – at fair value | |
| Molecular Discovery Systems Limited | 20,334 | 20,334 |
| Advent Energy Limited | 14,687,500 | 14,687,500 |
| AFFSDA | <u>18,293</u> | <u>18,293</u> |
| (d) | Loans receivable - | |
| Unsecured loans to other entities | 1,473,738 | 1,209,176 |

These loans to other entities are non-interest bearing and payable on demand. The company has, however, issued letters to these entities confirming that they will not call upon their loans for at least 12 months from signing the financial report or until such time the company is financially independent.

Refer to Note 19 for the fair value disclosures in relation to financial assets.

10. Property, Plant and Equipment

Plant and Equipment:

At cost

| 2014 | 2013 |
|---------|---------|
| \$ | \$ |
| 116,480 | 116,480 |

Accumulated depreciation

| | |
|-----------|-----------|
| (112,435) | (108,480) |
|-----------|-----------|

Total Property, Plant and Equipment

| | |
|-------|-------|
| 4,045 | 8,000 |
|-------|-------|

(a) Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

Economic Entity:

Balance at the beginning of the year

| | |
|-------|--------|
| 8,000 | 13,765 |
|-------|--------|

Additions

| | |
|---|-----|
| - | 309 |
|---|-----|

Disposals

| | |
|---|---|
| - | - |
|---|---|

Depreciation expense

| | |
|---------|---------|
| (3,955) | (6,074) |
|---------|---------|

Carrying amount at the end of the year

| | |
|-------|-------|
| 4,045 | 8,000 |
|-------|-------|

11. Tax

(a) Liabilities

CURRENT

Income tax

| | |
|---|---|
| - | - |
|---|---|

NON CURRENT

Deferred tax liabilities comprises:

Prepayment

| | |
|-------|---|
| 5,308 | - |
|-------|---|

Fair value gain adjustments

| | |
|-----------|-----------|
| 4,129,168 | 4,131,645 |
|-----------|-----------|

| | |
|-----------|-----------|
| 4,134,476 | 4,131,645 |
|-----------|-----------|

(b) Assets

Deferred tax assets comprise:

Provisions

| | |
|--------|--------|
| 38,871 | 33,935 |
|--------|--------|

Accrued expenses

| | |
|-------|---------|
| 5,124 | 133,571 |
|-------|---------|

Other – unused losses

| | |
|---------|---------|
| 392,359 | 362,408 |
|---------|---------|

| | |
|---------|---------|
| 436,354 | 529,914 |
|---------|---------|

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

| | | Consolidated | |
|--|-----------|--------------|------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| 11. Tax (continued) | | | |
| (c) Reconciliations | | | |
| (i) Deferred tax liabilities | | | |
| The movements in deferred tax liability for each temporary difference during the year is as follows: | | | |
| Fair value gain adjustments | | | |
| Opening balance | 4,131,645 | 4,293,109 | |
| Net revaluations during the current year | (2,477) | (161,464) | |
| Prepayments | 5,308 | - | |
| Deferred tax liabilities closing balance | 4,134,476 | 4,131,645 | |
| (ii) Deferred Tax Assets | | | |
| The movements in deferred tax assets for each temporary difference during the year is as follows: | | | |
| Provisions | | | |
| Opening balance | 33,935 | 32,187 | |
| Debited to the statement of comprehensive income | 4,936 | 2,320 | |
| Closing balance | 38,871 | 33,935 | |
| Accrued expenses | | | |
| Opening balance | 133,571 | 104,209 | |
| Debited to the statement of comprehensive income | (128,447) | 29,362 | |
| Closing balance | 5,124 | 133,571 | |
| Other | | | |
| Opening balance | 362,408 | 332,203 | |
| Debited to the statement of comprehensive income | 29,951 | 30,205 | |
| Closing balance | 392,359 | 362,408 | |
| Deferred tax assets closing balance | 436,354 | 529,914 | |

| | Consolidated | |
|---|----------------|----------------|
| | 2014 | 2013 |
| | \$ | \$ |
| 12. Trade and Other Payables | | |
| Trade payables | 131,628 | 135,640 |
| Sundry payables and accrued expenses | 580,343 | 482,663 |
| | <u>711,971</u> | <u>618,303</u> |
| 13. Financial Liabilities | | |
| Unsecured loans payable (a) | <u>55,166</u> | <u>-</u> |
| (a) Loans payable - | | |
| Unsecured loans to other entities | <u>55,166</u> | <u>-</u> |
| These loans from other entities are non-interest bearing and repayable on demand. | | |
| 14. Provisions | | |
| Employee entitlements: | | |
| Opening balance at 1 July | 113,118 | 107,289 |
| Additional provision | <u>16,451</u> | <u>5,829</u> |
| Balance at 30 June | <u>129,569</u> | <u>113,118</u> |
| Current | 84,194 | 86,636 |
| Non-Current | <u>45,375</u> | <u>26,482</u> |
| | <u>129,569</u> | <u>113,118</u> |
| Provision for Employee Entitlements | | |
| Provisions have been recognised for employee entitlements relating to annual leave and long service leave. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report. | | |

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

| | | Consolidated | |
|--|--|--------------|-------------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| 15. Issued Capital | | | |
| 28,220,114 (2013: 28,220,114) fully paid ordinary shares | | 3,539,920 | 3,539,920 |
| The Company does not have an authorised share capital and the shares issued have no par value. | | | |
| (a) Ordinary Shares: | | 2014 | 2013 |
| | | No. | No. |
| At the beginning of reporting period | | 28,220,114 | 28,220,114 |
| Shares Issued during the year | | - | - |
| At reporting date | | 28,220,114 | 28,220,114 |

Fully Paid Ordinary Share Capital

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Options

Employee Options

There were 2,523,334 employee options on issue at the end of the year:

| Total number | Exercise price | Expiry date |
|------------------|----------------|------------------|
| 2,000,000 | \$0.35 | 31 December 2014 |
| 100,000 | \$0.45 | 21 January 2016 |
| 173,334 | \$0.15 | 30 June 2018 |
| 250,000 | \$0.12 | 31 December 2018 |
| 2,523,334 | | |

The market price of the company's ordinary shares at 30 June 2014 was 3.3 cents.

The holders of employee options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

Capital risk management

The group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

The focus of the group's capital risk management is:

- the current working capital position against the requirements of the group to meet corporate overheads;
- to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the group and the parent entity at 30 June 2014 and 30 June 2013 are as follows:

| | Consolidated | |
|---------------------------|---------------------|-------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Cash and cash equivalents | 85,519 | 107,522 |
| Financial assets | 160,000 | 383,760 |
| Trade and other payables | (711,971) | (618,303) |
| Financial liabilities | (55,166) | - |
| Working capital position | (521,618) | (127,021) |

16. Reserves (net of income tax)

| | | |
|-------------------------------|-------------------|-------------------|
| Option Reserve (a) | 323,290 | 319,979 |
| Asset Revaluation Reserve (b) | 9,922,850 | 9,922,850 |
| | <u>10,246,140</u> | <u>10,242,829</u> |

(a) Option Reserve

The option reserve records items recognized as expenses in respect of Employee share options

Reconciliation of movement

| | | |
|--------------------------------|----------------|----------------|
| Opening balance | 319,979 | 319,007 |
| Options Issued during the year | 3,311 | 972 |
| Closing balance | <u>323,290</u> | <u>319,979</u> |

(b) Asset Revaluation Reserve

The asset revaluation reserve records the revaluation of available for sale investments to fair value.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

17. Controlled Entities

| Name of Entity | Principal Activity | Country of Incorporation | Ownership Interest % | |
|-------------------------------------|----------------------|--------------------------|----------------------|------|
| | | | 2014 | 2013 |
| Parent Entity | | | | |
| Grandbridge Limited | Investment | Australia | 100 | 100 |
| Subsidiaries of Grandbridge Limited | | | | |
| Grandbridge Securities Pty Limited | On-line Share Trader | Australia | 100 | 100 |
| Grandbridge Equities Pty Limited | Dormant | Australia | 100 | 100 |
| e-Shares.com.au Pty Limited | Domain Names | Australia | 100 | 100 |

Consolidated
2014 **2013**
\$ **\$**

18. Cash Flow Information

Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after income tax

| | | |
|--|------------------|------------------|
| Operating loss after income tax | (40,410) | (325,745) |
| Depreciation | 3,955 | 6,074 |
| Options expensed | 3,311 | 972 |
| Unrealised losses of FVTPL assets | 4,526 | 541,935 |
| Administration Recharges | (305,373) | (324,803) |
| Changes in net assets and liabilities, net of effects of purchase and disposal of subsidiaries | | |
| Decrease/(increase) in other assets | 6,917 | (9,328) |
| Increase in provisions | 16,451 | 5,829 |
| Increase/(decrease) in net deferred taxes liabilities | 96,391 | (222,779) |
| Increase in trade payables and accruals | 93,668 | 120,475 |
| Net cash from operating activities | (120,564) | (207,370) |

19. Financial Risk Management

(a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, short-term investments, investments held for trading, accounts receivable and payable, and loans to and from related parties. The main purpose of non-derivative financial instruments is to raise finance for group operations policies.

i. Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk, equity price risk.

Interest rate risk

The group's financial assets that are affected by interest rate risk are the group's cash and cash equivalents and term deposits held. The group's financial liabilities are currently not exposed to interest rate risk as the group has no interest bearing financial liabilities.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The directors obtained an independent expert's valuation report at year end which supports the recoverable amount of loan receivables. The recoverable amount exceeded the carrying value of the loans and hence no impairment loss was recognised.

Equity price risk

The group is exposed to equity price risks arising from equity investments. The performance of equity investments are reviewed biannually to market. The group holds diversified portfolio with investments in biotech and oil & gas exploration to manage this risk.

Equity Price Sensitivity Analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices for investments had been 5% higher/lower:

- net loss for the year ended 30 June 2014 would increase/decrease \$20,588 (2013: increase/decrease by \$21,215) as a result of the changes in fair value of financial assets at fair value through profit and loss ; and
- other comprehensive income would increase/decrease by \$734,375 (2013: \$734,375) as a result of changes in fair values of available for sale financial assets.

The group's sensitivity to equity prices has not changed significantly from the prior year.

Foreign currency risk

The group is not exposed to any material risks in relation to fluctuations in foreign exchange rates.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

19. Financial Risk Management (continued)

(b) Financial Instruments

i. Interest rate risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Consolidated Group

| 2014 | Average Interest Rate % | Variable Interest Rate \$ | Non- Interest Bearing \$ | Total \$ |
|------------------------------|-------------------------------|---------------------------------|-----------------------------------|-------------|
| Financial Assets | | | | |
| Cash and cash equivalents | .05 | 107,522 | - | 107,522 |
| Deposits | 4.4 | 22,584 | - | 22,584 |
| Trade and other receivables | | - | - | - |
| Financial Assets | | - | 1,209,176 | 1,209,176 |
| Investments | | - | 15,142,414 | 15,142,414 |
| Total Financial Assets | | 130,106 | 16,351,590 | 16,481,696 |
| Financial Liabilities | | | | |
| Trade and sundry payables | | - | 618,303 | 618,303 |
| Financial Liabilities | | - | - | - |
| Total Financial Liabilities | | - | 618,303 | 618,303 |

| 2013 | Average Interest Rate % | Variable Interest Rate \$ | Non- Interest Bearing \$ | Total \$ |
|------------------------------|-------------------------------|---------------------------------|-----------------------------------|-------------|
| Financial Assets | | | | |
| Cash and cash equivalents | 0.0 | 79,174 | - | 79,174 |
| Deposits | 3.3 | 26,345 | - | 26,345 |
| Trade and other receivables | | - | - | - |
| Financial Assets | | - | 1,473,738 | 1,473,738 |
| Investments | | - | 15,137,888 | 15,137,888 |
| Total Financial Assets | | 105,519 | 16,611,626 | 16,717,145 |
| Financial Liabilities | | | | |
| Trade and sundry payables | | - | 711,971 | 711,971 |
| Financial Liabilities | | - | 55,166 | 55,166 |
| Total Financial Liabilities | | - | 767,137 | 767,137 |

ii. Fair Values

The fair values of:

- Term receivables are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Listed investments have been valued at the quoted market bid price at balance date. For unlisted investments where there is no organised financial market, the fair value has been based on valuation techniques incorporating non-market data prepared by independent valuers.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings to their present value.
- Other assets and liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

Aggregate fair values and carrying amounts of financial assets and financial liabilities at balance date.

| Consolidated Group | 2014 | | 2013 | |
|---|-----------------|----------------|-----------------|----------------|
| | Carrying Amount | Net Fair Value | Carrying Amount | Net Fair Value |
| Financial Assets | | | | |
| Financial assets at fair value through profit or loss | 411,761 | 411,761 | 416,287 | 416,287 |
| Available for sale assets | 14,726,127 | 14,726,127 | 14,726,127 | 14,726,127 |
| Loans and receivables* | 1,493,738 | 1,493,738 | 1,231,760 | 1,231,760 |
| | 16,631,626 | 16,631,626 | 16,374,174 | 16,374,174 |
| Financial Liabilities | | | | |
| Other loans and amounts due | 55,166 | 55,166 | - | - |
| Other liabilities | 711,971 | 711,971 | 618,303 | 618,303 |
| | 767,137 | 767,137 | 618,303 | 618,303 |

* These loans to other entities are non-interest bearing and payable on demand. The company has, however, issued letters to these entities confirming that they will not call upon their loans for at least 12 months from signing the financial report or until such time the company is financially independent.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

19. Financial Risk Management (continued)

(b) Financial Instruments (continued)

iii. Sensitivity Analysis

Interest Rate Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks

Interest Rate Sensitivity Analysis

At 30 June 2014, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| | Consolidated Group | |
|-------------------------------------|---------------------------|-------------|
| | 2014 | 2013 |
| Change in profit | | |
| — Increase in interest rate by 1% | 1,272 | 170 |
| — Decrease in interest rate by 0.5% | (636) | (85) |

(c) Fair value measurements recognised in the statement of financial position

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

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

There were no transfers between and of the levels for recurring fair value measurements during the year.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments; and
- the fair value of the remaining financial instruments is determined with reference to similar instruments and valuation models using non-market inputs prepared by independent experts.

30 June 2014

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------|---------|------------|------------|
| Financial assets at FVTPL | | | | |
| – Investments in listed entities | 411,761 | - | - | 411,761 |
| Available for sale financial assets | | | | |
| – Investments in unlisted entities | - | - | 14,726,127 | 14,726,127 |
| Total | 411,761 | - | 14,726,127 | 15,137,888 |

30 June 2013

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------|---------|------------|------------|
| Financial assets at FVTPL | | | | |
| – Investments in listed entities | 416,287 | - | - | 416,287 |
| Available for sale financial assets | | | | |
| – Investments in unlisted entities | - | - | 14,726,127 | 14,726,127 |
| Total | 416,287 | - | 14,726,127 | 15,142,414 |

Reconciliation of fair value measurements of financial assets

| | 2014 | | 2013 | |
|---|---------|------------|-----------|------------|
| | Level 1 | Level 3 | Level 1 | Level 3 |
| Opening balance | 416,287 | 14,726,127 | 958,222 | 14,726,127 |
| Reclassifications | - | - | - | - |
| Purchases | - | - | - | - |
| Total gains or losses in other comprehensive income | - | - | - | - |
| Total gains or losses in the profit and loss | (4,526) | - | (541,935) | - |
| Closing balance | 411,761 | 14,726,127 | 416,287 | 14,726,127 |

Based on valuations prepared by independent experts, management have made an assessment and believe that there is no material change in the fair value of their investments at reporting date.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

19. Financial Risk Management (continued)

(c) Fair value measurements recognised in the statement of financial position (continued)

Valuation processes

The directors informally assess the fair value of its investments biannually. A formal assessment is performed every two to three years by obtaining an external independent valuation report. The fair value of the Group's investment in Advent Energy Ltd as at 30 June 2014 has been supported by a valuation report prepared at that date by an independent expert valuer. The expert holds appropriate qualifications and recent experience in the valuation of investments of this nature. The fair value was determined using the expected monetary value and enterprise value valuation methods; valuation estimations have been undertaken in accordance with the requirements of the Valmin Code (2005) of the Australasian Institute of Mining and Metallurgy.

The fair value of the Group's investment in Molecular Discovery Systems Ltd as at 30 June 2014 has been arrived at on the basis of a valuation performed on the respective date by an independent expert valuer to the company. The valuer holds the appropriate qualifications and recent experience in the valuation of investments of this nature. The fair value was determined using the relative valuation methodology. The approach considers the value of broadly comparable listed entities which are at a similar stage of biotechnology product life cycle to Molecular Discovery Systems. The valuation supported the carrying value of BPH's AFS investment in the company.

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See above for the valuation techniques adopted.

| Description | Fair value at 30 June 2014 | Significant inputs | Range of inputs |
|-------------------|-------------------------------|--------------------|---|
| Advent Energy Ltd | \$14,687,500 | Discount rate | 10 – 15% |
| | | Gas price | \$5 - \$8 per mcf |
| | | Exchange rate | AUD\$1:USD\$0.943 |
| | | Gas resource | PEP11: 5.7 Tcf (best estimate) EP386: 344.5 bcf (best estimate) RL1: 11.5 bcf (best estimate) |

20. Operating Segment

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the managing director and his management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the industry in which the entity makes its investments or provides services. Discrete financial information about each of these operating segments is reported to the managing director and his management team on at least a monthly basis.

The group holds investments in two principal industries and these are biotechnology, and oil and gas exploration and development.

The group also provides consultancy and management services to a number of different entities and receives a monthly fee for these services.

Accounting policies and inter-segment transactions

The accounting policies used by the group in reporting segments are the same as those contained in note one to the accounts and in the prior period.

Segment Revenue and Results

The following is an analysis of the group's revenue and results from continuing operations by reportable segment:

| | Segment Revenue | | Segment Profit/Loss | |
|--|-----------------|-----------|---------------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$ | \$ | \$ | \$ |
| Consulting Services | 814,616 | 834,768 | 248,852 | 232,369 |
| Investing | (4,526) | (541,935) | (4,526) | (541,935) |
| Unallocated | 23,516 | 671 | 23,516 | - |
| Total for continuing operations | 833,606 | 293,504 | 267,842 | (309,566) |
| Administration expenses | | | (193,190) | (209,140) |
| Depreciation and Amortisation | | | (3,955) | (6,074) |
| Other | | | (14,300) | (23,744) |
| Profit/Loss before tax (continuing operations) | | | 56,397 | (548,524) |

Revenue reported above represents revenue generated from external customers. There were no intersegment sales in the year (2013:nil).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

20. Operating Segment (continued)

Segment Assets and Liabilities

| | 2014 \$ | 2013 \$ |
|----------------------------|------------|------------|
| Segment Assets | | |
| Consulting Services | - | - |
| Investing | 15,157,888 | 15,164,998 |
| Corporate | 1,581,078 | 1,879,305 |
| Total Assets | 16,738,966 | 17,044,303 |
| Segment Liabilities | | |
| Consulting Services | - | - |
| Investing | 55,166 | - |
| Corporate | 4,539,662 | 4,863,066 |
| Total Liabilities | 4,594,828 | 4,863,066 |

21. Events after the Balance Sheet Date

There have not been any matters or circumstances that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

22. Related Party Transactions

(a) Equity interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 17 to the financial statements.

(b) Directors' Remuneration

Details of directors' remuneration and retirement benefits are disclosed in Director's Report and note 5.

(c) Directors' Equity Holdings

| | Parent | |
|--|------------|------------|
| | 2014 # | 2013 # |
| <i>Ordinary Shares</i> | | |
| Held as at the date of this report by directors and their director-related entities in Grandbridge Limited | 10,093,504 | 10,093,504 |
| <i>Other Equity Instruments</i> | | |
| <i>Options</i> | | |
| Held as at the date of this report by directors and their director-related entities in Grandbridge Limited | 2,250,000 | 4,250,000 |

(d) Transactions Within the Wholly-Owned Group

During the financial year Grandbridge Limited provided administration services, for a nominal management fee, to entities in the wholly-owned group. Management fees were charged to Grandbridge Securities Proprietary Limited of \$5,558 (2013: \$7,880).

All transactions that occurred during the financial year between entities in the wholly-owned group were eliminated on consolidation.

(e) Controlling Entities

The parent entity in the economic entity is Grandbridge Limited.

(f) Transactions with Key Management Personnel

Occupancy fees are paid monthly to a director related entity. For the period ending 30 June 2014 a total of \$83,385 (2013: \$88,550) fees had been paid.

(g) Loans to and from subsidiaries

Loans to and from subsidiaries are non-interest bearing and repayable on demand. These loans are unsecured. As at reporting date, the balance of the loan was \$627,110 (2013: \$632,688).

23. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2014:

| Number Under Option | Grant Date | Date of Expiry | Exercise Price | Fair Value at Grant Date | Vesting Date |
|------------------------|------------|-------------------|-------------------|-----------------------------|--------------|
| 2,000,000 | 12/11/2009 | 31/12/2014 | \$0.35 | \$0.028 | 12/11/2009 |
| 100,000 | 21/01/2011 | 21/01/2016 | \$0.45 | \$0.050 | 21/01/2014 |
| 173,334 | 01/07/2013 | 21/01/2018 | \$0.15 | \$0.004 | 30/06/2016 |
| 250,000 | 28/11/2013 | 21/01/2018 | \$0.12 | \$0.010 | 28/11/2013 |
| 2,523,334 | | | | | |

During the year, 250,000 options were issued to key management personnel. The options were issued on 28 November 2013 and expire on 31 December 2018 with a strike price of \$0.12. The options vested fully on the date of issue.

The fair value of the options granted is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used.

| | |
|---------------------------|-----------|
| Fair value at grant date | \$0.010 |
| Share price at grant date | \$0.045 |
| Exercise price | \$0.12 |
| Expected volatility | 54% |
| Expected life | 5.1 years |
| Expected dividends | Nil |
| Risk-free interest rate | 3.48% |
| Valuation | \$3,311 |

All options granted to key management personnel are for ordinary shares in Grandbridge Limited, which confer a right of one ordinary share for every option held.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2014

23. Share-Based Payments (continued)

| | Consolidated Group | | | |
|--|----------------------|---|----------------------|---|
| | 2014 | | 2013 | |
| | Number of Options | Weighted Average Exercise Price \$ | Number of Options | Weighted Average Exercise Price \$ |
| Outstanding at the beginning of the year | 4,600,000 | \$0.22 | 4,773,334 | \$0.22 |
| Granted | 173,334 | \$0.15 | - | - |
| Granted | 250,000 | \$0.12 | - | - |
| Exercised | - | - | - | - |
| Expired | (2,500,000) | \$0.12 | (173,335) | \$0.15 |
| Outstanding at year-end | 2,523,334 | \$0.32 | 4,600,000 | \$0.22 |
| Exercisable at year-end | 2,350,000 | \$0.34 | 4,566,666 | \$0.22 |

Nil options were exercised during the year ended 30th June 2014 (2013: nil).

Included under employee benefits expense in the statement of comprehensive income is \$3,311 (2013: \$972), and relates, in full, to equity.

24. Contingent Liabilities

There were no contingent liabilities at balance date.

25. Commitments

Operating leases relate to premises used by the company in its operations. The operating lease contains an option to extend for further periods and an adjustment to bring the lease payments into line with market rates prevailing at that time. The leases do not contain an option to purchase the leased property.

| | Consolidated | | Company | |
|---------------------------------|--------------|------------|------------|------------|
| | 2014 \$ | 2013 \$ | 2014 \$ | 2013 \$ |
| Minimum lease payment | 70,414 | 75,124 | 70,414 | 75,124 |
| Operating Lease Commitments | | | | |
| - not later than 12 months | 71,628 | 66,866 | 71,628 | 66,866 |
| - between 12 months and 5 years | 74,135 | 86,655 | 74,135 | 86,655 |
| Minimum lease payments | 145,763 | 153,521 | 145,763 | 153,521 |

26. Parent Entity Disclosures

| | 2014 \$ | 2013 \$ |
|------------------------------|-------------|-------------|
| Financial Position | | |
| Assets | | |
| Current assets | 421,795 | 735,995 |
| Non-current assets | 16,689,347 | 16,677,097 |
| Total asset | 17,111,142 | 17,413,092 |
| Liabilities | | |
| Current liabilities | 1,629,310 | 1,481,015 |
| Non-current liabilities | 3,743,497 | 4,158,127 |
| Total liabilities | 5,372,807 | 5,639,142 |
| Equity | | |
| Issued Capital | 3,539,920 | 3,539,920 |
| Retained earnings | (2,047,725) | (2,008,799) |
| Reserves | | |
| Asset Revaluation Reserve | 9,922,850 | 9,922,850 |
| Option Reserve | 323,290 | 319,979 |
| Total equity | 11,738,335 | 11,773,950 |
| Financial Performance | | |
| Loss for the year | (38,926) | (319,270) |
| Other comprehensive income | - | - |
| Total comprehensive income | (38,926) | (319,270) |

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 36 to 75, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the *Corporations Regulations 2001*;
 - (b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated entity;
2. the Financial Statements and Notes comply with International Accounting Standards as disclosed in Note 1;
3. the directors have been given the declarations required by S295A of the *Corporations Act 2001*;
4. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to S295(5) of the *Corporations Act 2001*.

A handwritten signature in blue ink, appearing to read 'D. Breeze', with a stylized flourish at the end.

David Breeze
Managing Director

Dated this 13th August 2014

Independent Auditor's Report



Independent auditor's report to the members of Grandbridge Limited

Report on the financial report

We have audited the accompanying financial report of Grandbridge Limited, which comprises the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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.

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Independent Auditor's Report



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

- (a) the financial report of Grandbridge Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity'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*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report

We have audited the remuneration report included in pages 20 to 23 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 Grandbridge Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani B.Eng, CA

Director

Perth, 13 August 2014

Additional Securities Exchange Information

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this report as follows.

The information is made up to 11th August 2014

1. Substantial Shareholder

The name of the substantial shareholder listed in the company's register is:

| Shareholder | Shares | % |
|-----------------------|-----------|-------|
| Trandcorp Pty Limited | 9,845,500 | 34.89 |

2. Distribution of Shareholders

| Range of Holding | Shareholders | Number Ordinary Shares | % |
|------------------|--------------|------------------------|---------------|
| 1 – 1,000 | 167 | 106,052 | 0.37 |
| 1,001 – 5,000 | 193 | 507,672 | 1.80 |
| 5,001 – 10,000 | 64 | 530,782 | 1.88 |
| 10,001 – 100,000 | 175 | 6,294,550 | 22.31 |
| 100,001 and over | 40 | 20,781,118 | 73.64 |
| | 639 | 28,220,174 | 100.00 |

3. Distribution of Optionholders

| Range of Holding | Optionholders | Number of Options | % |
|------------------|---------------|-------------------|-------|
| 1-50,000 | 3 | 113,334 | 4.49 |
| 100,001 and over | 5 | 2,410,000 | 95.51 |

4. Voting Rights - Shares

All ordinary shares issued by Grandbridge Limited carry one vote per share without restriction.

5. Voting Rights - Options

The holders of employee options do not have the right to vote.

6. Restricted Securities

Shares

| | |
|---------------------------------|-------------------|
| Number of Shares free of escrow | 28,220,174 |
| Total Shares | 28,220,174 |

Options

| | |
|---|------------------|
| Number of employee options not subject to escrow (not listed) | 2,523,334 |
| Total Options | 2,523,334 |

Additional Securities Exchange Information

7. Twenty Largest Shareholders (as at 11th August 2014)

The names of the twenty largest shareholders of the ordinary shares of the company are:

| Name | Number of ordinary fully paid shares | % held of issued ordinary capital |
|---------------------------|---|--------------------------------------|
| Trandcorp Pty Limited | 5,886,257 | 20.86 |
| Trandcorp Pty Limited | 3,959,243 | 14.03 |
| Jones Emyr Wyn | 1,262,383 | 4.47 |
| Lisica J and Ziolkowski C | 1,027,027 | 3.64 |
| Avotins Anthony Keith | 734,922 | 2.60 |
| Boillat Roland and Sheena | 511,865 | 1.81 |
| Forsyth Barr Cust Ltd | 448,000 | 1.59 |
| Kinetas PL | 424,000 | 1.50 |
| GRP Trading Pty Ltd | 418,823 | 1.48 |
| Avotins Julie | 352,647 | 1.25 |
| Jomot PL | 346,299 | 1.23 |
| Graham Walter | 340,942 | 1.21 |
| Lyon Geoffrey Robert | 320,000 | 1.13 |
| Whiteman Ross Donald | 300,000 | 1.06 |
| BT Portfolio Services Ltd | 300,000 | 1.06 |
| King Allen and Jolanka J | 300,000 | 1.06 |
| Superfold | 265,000 | 0.94 |
| Starceovich RG and SM | 248,917 | 0.88 |
| Coleman Timothy Phillip | 233,942 | 0.83 |
| Sledmont PL | 205,000 | 0.73 |
| | 17,885,267 | 63.36 |

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