

## Appendix 4E

### Full Year Report 30 June 2017

|  |                           |
|--|---------------------------|
| <b>Westoz Investment Company Limited</b> | <b>ABN 99 113 332 942</b> |
|--|---------------------------|

#### Results for announcement to the market

| <i>Extracts from this report for announcement to the market</i>          | <b>Movement</b> | <b>June 2017<br/>\$</b> | <b>June 2016<br/>\$</b> |
|--|-----------------|-------------------------|-------------------------|
| Revenue from ordinary activities   | n.a.            | 24,523,089              | (24,512)                |
| Profit/(Loss) from ordinary activities after tax attributable to members | 157x            | 16,156,375              | 103,019                 |
| Net Profit/(loss) for the period attributable to members                 | 157x            | 16,156,375              | 103,019                 |

| <b>Dividends/distributions</b> | <b>Amount per security</b> | <b>Franked amount per security</b> |
|--------------------------------|----------------------------|------------------------------------|
| Final dividend                 | 3.0 cents                  | 3.0 cents                          |
| Interim dividend               | 3.0 cents                  | 3.0 cents                          |

Record date for determining entitlements to the dividend

8 August 2017

Dividend payable date

24 August 2017

| <b>Net Tangible Asset Backing</b>                | <b>June 2017</b> | <b>June 2016</b> |
|--|------------------|------------------|
| Net tangible asset backing per ordinary security | 105.6 cents      | 99.0 cents       |

**WESTOZ INVESTMENT COMPANY LIMITED**

**A.B.N. 99 113 332 942**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2017**

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## **CORPORATE DIRECTORY**

### **REGISTERED OFFICE**

Level 18, Alluvion  
58 Mounts Bay Road  
PERTH WA 6000

Telephone: (08) 9321 7877

Facsimile: (08) 9321 8288

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

### **AUDITORS**

Ernst & Young  
11 Mounts Bay Road  
PERTH WA 6000

### **BANKERS**

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

### **SHARE REGISTRY**

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace  
PERTH WA 6000

Telephone: 1300 749 533

### **BOARD OF DIRECTORS**

**Jay Hughes**

Non Executive Chairman

**Terry Budge**

Independent Non Executive Director

**Simon Joyner**

Independent Non Executive Director

**Anthony Hewett**

Company Secretary

## CHAIRMAN'S REPORT AND THE PERIOD IN REVIEW

On behalf of my fellow Directors, I present the 2017 Annual Report for the Company.

Significant results from the year are:

- Westoz Investment Company Limited has recorded a pre-tax profit of \$21,812,641 (2016: loss of \$1,599,585) and net profit after tax of \$16,156,375 (2016: profit of \$103,019).
- Directors have declared a final dividend of 3.0 cents per share fully franked (2016: 3.0 cents). An interim dividend of 3.0 cent per share fully franked was paid in February 2017 (2016: 3.0 cents).
- Total assets of the company are \$142,625,065 at 30 June 2017 (2016: \$132,874,597).
- Net assets at 30 June 2017 stand at \$136,155,931 (2016: \$127,929,350). This figure includes deferred tax assets of \$4,243,903 (2016: \$9,900,169)
- Net assets per share was 105.6 cents per share at 30 June 2017 (2016: 99.0 cents). These figures are calculated by dividing the net assets as set out in the Statement of Financial Position by the number of ordinary shares on issue as at the reporting date and is after allowance for dividends and all costs.

For more detailed information on the investment performance of the company, I refer you to the Managers' Report on page 5.

The 2017 financial year was notable for some major changes in the global political environment, with several unexpected results digested. However, growth prospects, particularly from a bottoming of sentiment towards Europe and North America, provided a broad impetus for gains for global equities.

Closer to home, economic indicators for Western Australia remained moribund, although we continue to believe the worst is behind us.

Despite these challenging macro influences, the financial year overall saw healthy returns from equity markets, with the broad Australian benchmark rising 13.1% and the small capitalisation component gaining a more modest 7.0%.

I am pleased to report that the return on our investment portfolio comfortably exceeded these measures, with an underlying (before fees and taxes) gain of 20.1% for the year. Our long term underlying portfolio return since inception of our investment strategy 12 years ago of 11.9% p.a. also remains ahead of relevant equity benchmarks.

We remain confident that our strategy to seek out attractive investment opportunities in the Australian equity market from our Western Australian base will continue to generate our desired levels of return. The most fertile ground for these opportunities remains outside the larger capitalisation stocks and our portfolio will continue to have a bias towards these mid to small by market capitalisation positions, along with a representation of resource stocks.

Our strategy has enabled us to pay in excess of \$100 million to shareholders by way of dividends since our inception in 2005.

I remind readers that we have an active shareholder communication programme in place. This includes a variety methods of contact, including regular emails, ASX updates and face to face meetings. I welcome any comments on our activities and you can register for regular updates at our website: [www.westoz.com.au](http://www.westoz.com.au). We hope to provide useful information and will be considering additional channels to make this information available.

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

Yours sincerely



**JAY HUGHES**  
Non Executive Chairman

**ABOUT WESTOZ**

- Westoz Investment Company Limited is a listed investment company that focuses on producing a positive return on funds invested.
- It was formed on 11 March 2005 and raised its initial capital for investment in May 2005. As at 30 June 2017, it had \$135,689,750 of assets in its investment portfolio.
- The company has appointed Westoz Funds Management Pty Ltd as manager to oversee the investment of its portfolio of assets. The manager is a wholly owned subsidiary of Euroz Limited, a listed company that operates a stock-broking business based in Western Australia.
- The investment mandate is to identify undervalued companies listed on the Australian Stock Exchange and to invest to produce a positive return. Because of the geographic location of the manager, it is anticipated that the majority of situations identified will have a connection to Western Australia and will have a market capitalisation of less than \$1 billion.
- The manager is paid a base fee of 1% per annum of funds managed. In addition, a performance fee is payable where performance exceeds 10% over a twelve month period to end of June and is calculated at 20% of the performance exceeding the threshold. The starting point for the calculation of the threshold is the greater of the starting portfolio value and the number of shares on issue multiplied by \$1.00.

## Investment Manager's Report

### Portfolio Return

The assets of the company are managed to generate a positive return regardless of the return from the broader Australian share market.

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

The overall performance of the portfolio before fees and taxes on this basis over the 2017 financial year was 20.1% (2016: 0.4%). Since inception in 2005, the portfolio has generated an average geometric annual return of 11.9%.

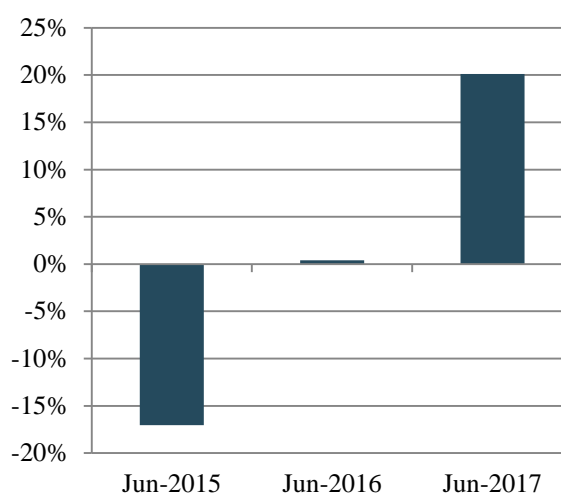
It is the objective of the manager to produce positive investment returns over the medium to long term, thereby boosting the net asset backing per share (NTA) and allowing for the payment of dividends.

The figures presented for information regarding NTA are on a per share basis and after allowance for all realized and unrealized costs, dividends and deferred tax assets.

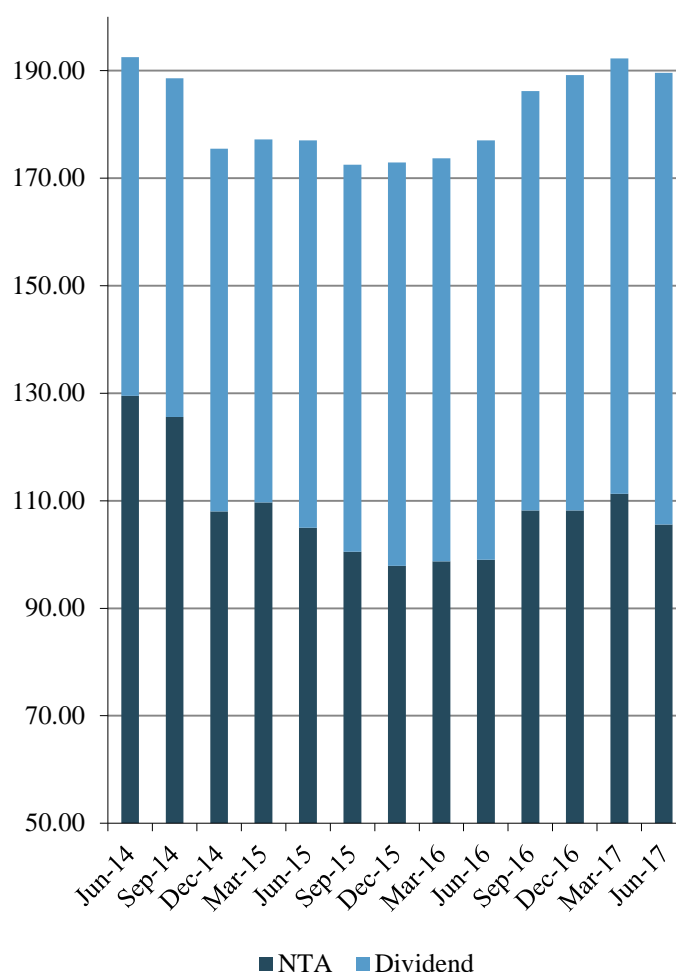
Over the twelve months, this number rose from \$0.99 at 30 June 2016 to \$1.056 at 30 June 2017.

At 30 June 2017, a provision for payment of 3.0 cents per share by way of dividend was made. This dividend is expected to be paid in August 2017.

### Portfolio Performance %



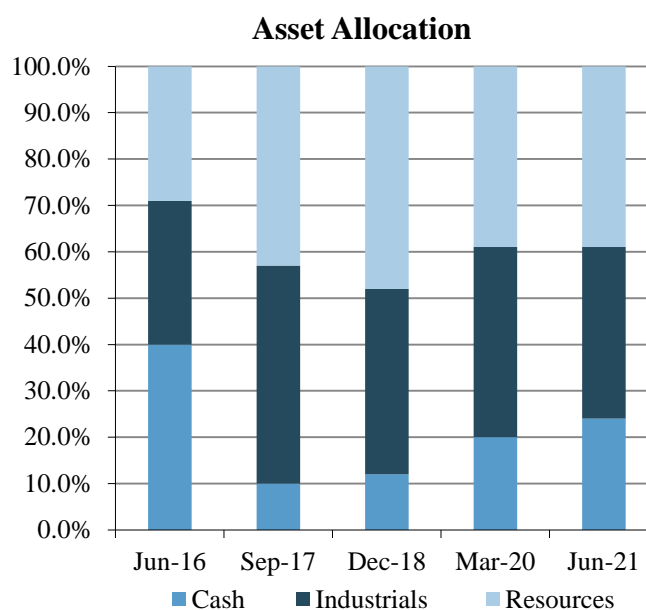
### Net assets per share and Dividends



## Asset Allocation

Cash levels as a percentage of total assets fell from 40% to 24% over the period. Industrial share exposure rose from 31% to 37% with Resources exposure also rose from 29% to 39%.

At years end, investments were held in 20 separate companies.



## Investment Portfolio

| Industrials                               | Share Value | Fair Value at 30 June 2017 |
|---|-------------|----------------------------|
| Austal Limited                            | 5,313,000   | 9,722,790                  |
| Australian Finance Group Ltd              | 2,828,219   | 3,634,261                  |
| Cedar Woods Properties Limited            | 2,355,772   | 12,273,572                 |
| Empire Ltd                                | 5,000,000   | 2,650,000                  |
| Finbar Group Limited                      | 7,840,000   | 6,232,800                  |
| IMF Bentham Limited                       | 1,555,000   | 2,923,400                  |
| Macmahon Holdings Limited                 | 11,534,756  | 1,903,235                  |
| NRW Holdings Limited                      | 13,000,000  | 8,320,000                  |
| Southern Cross Electrical Engineering Ltd | 3,800,000   | 2,128,000                  |
|   |             | <u>49,788,058</u>          |

| Short Positions             | Value     |                    |
|-----------------------------|-----------|--------------------|
| Northern Star Resources Ltd | (500,000) | (2,380,000)        |
|                             |           | <u>(2,380,000)</u> |

| Resources  | Share Value | Fair Value at 30 June 2017 |
|--|-------------|----------------------------|
| Australis Oil & Gas Limited  | 43,094,946  | 9,911,838                  |
| Australis Oil & Gas Limited Options                                      | 1,136,364   | 0                          |
| Beach Energy Limited   | 12,670,000  | 7,285,250                  |
| Cooper Energy Limited  | 24,000,000  | 8,880,000                  |
| Equatorial Resources Limited   | 2,967,551   | 1,142,507                  |
| Heron Resources Limited  | 5,000,000   | 355,000                    |
| Mount Gibson Iron Limited  | 21,000,000  | 6,825,000                  |
| Neometals Ltd  | 8,200,000   | 2,214,000                  |
| OreCorp Limited  | 9,531,182   | 3,621,849                  |
| Sandfire Resources NL  | 1,350,000   | 7,627,500                  |
| Western Areas Limited  | 3,600,000   | 7,560,000                  |
|  |             | <u>55,422,944</u>          |
| Cash, inclusive of outstanding settlements and funds due from short sale |             | 32,858,748                 |
|  |             | <u>135,689,750</u>         |

## Outlook

Despite some headwinds, particularly for the Western Australian economy, the 2017 financial year saw a strong return on our portfolio. Our cash position was reduced in the early part of the year and we benefitted from substantial gains in the new and existing equity investments. At year end, our cash position has again been rebuilt.

Looking forward, the commencement of the 2018 year sees investment markets coming off some reasonable gains. Some confidence regarding global growth prospects has provided the impetus for these gains, but attractive valuations are again becoming more difficult to identify.



## **DIRECTORS' REPORT FOR THE YEAR ENDED 30 June 2017**

Your Directors submit their report for the year ended 30 June 2017.

### **1. DIRECTORS**

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

Jay Hughes  
Terry Budge  
Simon Joyner (appointed 5 July 2016)

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

Mr Hughes is a Non Executive Director of the Company and serves on the Company's Audit Committee. He is an Executive Director of Euroz Limited (appointed 20 November 2000) and Non Executive Director of Ozgrowth Limited (appointed 9 July 2007). Mr Hughes holds a Graduate Diploma in Applied Finance and Investment from FINSIA. He was recognized as an affiliate of ASX in December 2000 and was admitted in May 2004 as a Practitioner Member (Master Stockbroking) of the Stockbrokers and Financial Advisors Association of Australia.

#### **Mr Terry Budge, Independent Non Executive Director**

Mr Budge is a Non Executive Director of the Company and serves on the Company's Audit Committee. He was a Director of Aspen Group Limited from 6 May 2005 to 23 November 2012. He was also Chancellor of Murdoch University from 2006 to 2013 (appointed to Senate 1 June 2004). Mr Budge holds a Bachelor of Economics from Monash University and is a Graduate of the Advanced Management Program from Harvard Business School. He is also a Graduate and Fellow of the Australian Institute of Company Directors and a Senior Fellow of FINSIA.

#### **Mr Simon Joyner, Independent Non Executive Director**

Mr Joyner was appointed as an Independent Non Executive Director of the Company on 5 July 2016 and serves on the Company's Audit Committee. He is also a Non Executive Director of Ozgrowth Limited (appointed 5 July 2016). Mr Joyner has a Bachelor of Commerce Degree, a Graduate Diploma in Applied Finance and Investment from FINSIA and a Diploma of Financial Planning.

The following directors resigned during the period:

Stephen Tucker (resigned 9 September 2016)  
Philip Rees (resigned 5 July 2016)  
Dermot Woods (resigned 5 July 2016)

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

Mr Tucker was a Non Executive Director of the Company and resigned on 9 September 2016. Mr Tucker holds a Bachelor of Economics from The University of Western Australia.

#### **Mr Philip Rees, Executive Director**

Mr Rees was the Executive Director of the Company and resigned on 5 July 2016. He remains the Executive Chairman of Westoz Funds Management Pty Ltd, the manager of the Company's assets. Mr Rees has a Bachelor of Commerce Degree and is a Chartered Financial Analyst. He is also a Senior Fellow of FINSIA, a Certified Practicing Accountant and a Fellow of the Governance Institute of Australia.

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

Mr Woods was a Non Executive Director of the Company and resigned on 5 July 2016. He remains an Executive Director of Westoz Funds Management Pty Ltd, the manager of the Company's assets. Mr Woods has a Bachelor of Commerce Degree and is a Chartered Financial Analyst.

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

### **FOR THE YEAR ENDED 30 June 2017**

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

The number of meetings of Directors (including meetings of committees of Directors) held during the year ended 30 June 2017 and the numbers of meetings attended by each Director were as follows:

|                | <b>Directors'<br/>Meetings Held<br/>During Period Of<br/>Appointment</b> | <b>Directors'<br/>Meetings<br/>Attended During<br/>Period Of<br/>Appointment</b> | <b>Audit Committee<br/>Meetings Held<br/>During Period Of<br/>Appointment</b> | <b>Audit Committee<br/>meetings<br/>Attended During<br/>Period Of<br/>Appointment</b> |
|----------------|--|--|---|---|
| Philip Rees    | -  | -  | -   | -   |
| Jay Hughes     | 8  | 8  | 2   | 2   |
| Dermot Woods   | -  | -  | -   | -   |
| Stephen Tucker | 1  | 1  | 1   | 1   |
| Simon Joyner   | 8  | 8  | 2   | 2   |
| Terry Budge    | 8  | 7  | 2   | 2   |

Mr Joyner was appointed as a Director on 5 July 2016. Messrs Rees and Woods resigned as Directors on 5 July 2016. Mr Tucker resigned as a Director on 9 September 2016.

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

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

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

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

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

For the period ended 30 June 2017, the Company made an operating profit after tax of \$16,156,375 (2016: profit of \$103,019).

#### **5. DIVIDENDS**

An interim dividend of \$3,872,606 (3.0 cents per share) was paid on 20 February 2017 (2016: \$3,877,552, 3.0 cents per share)

The Board of Directors has provided for the payment of a further dividend of \$3,870,168 or 3.0 cents per share (2016: \$3,875,446, 3.0 cents per share) in the 30 June 2017 financial statements.

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

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

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

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

### **FOR THE YEAR ENDED 30 June 2017**

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

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

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

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

As at 31 July 2017, the All Ordinaries Accumulation index has risen approximately 0.2% since 30 June 2017.

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

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

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

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

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

At the date of this report the interests of the Directors in the shares and options of the Company are:

| <b>Director</b>             | <b>Shares</b> | <b>Aug 2017 \$1.05<br/>Options</b> |
|-----------------------------|---------------|------------------------------------|
| Jay Hughes                  |               |                                    |
| Held Directly or indirectly | 865,000       | 79,100                             |
| Simon Joyner                |               |                                    |
| Held Directly or indirectly | 355,000       | 31,000                             |
| Terry Budge                 |               |                                    |
| Held Directly or indirectly | 196,134       | 19,614                             |

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

### **FOR THE YEAR ENDED 30 June 2017**

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

During the period, 12,904,571 options with an exercise price of \$1.05 expired unexercised on 31 August 2016. 2,725 of these options were exercised during the period.

As at the date of this report, the Company has 12,882,671 options on issue. The options were issued pursuant to the Bonus Issue prospectus issued on 13 September 2016 to all shareholders. The offer made a bonus issue of one option for every 10 shares held by shareholders at the record date. These options are exercisable into 12,882,851 new ordinary shares in the Company that rank equally with other ordinary shares by the payment of \$1.05 per option at any time up until expiry date of 31 August 2017. 14,924 of these options were exercised during the period. 180 of these options have been exercised in the current period since 30 June 2017.

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

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

Westoz Investment Company Limited has made a deed of indemnity for all the Directors of the Company against all losses or liabilities incurred by each Director in their capacities as Directors of the Company. The Company agreed to indemnify and keep indemnified the Director against all liabilities by the Director as a Director of the Company to the extent permitted under the *Corporations Act 2001*.

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

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

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

The Company had no employees during the year ended 30 June 2017 or 30 June 2016. Details of Key Management Personnel are as follows:

|                |                          |   |
|----------------|--------------------------|---|
| Jay Hughes     | Chairman (non-executive) | Appointed 11 March 2005                             |
| Simon Joyner   | Independent Director     | Appointed 5 July 2016                               |
| Stephen Tucker | Director (non-executive) | Appointed 3 June 2014,<br>Resigned 9 September 2016 |
| Terry Budge    | Independent Director     | Appointed 4 April 2005                              |
| Philip Rees    | Executive Director       | Appointed 11 March 2005,<br>Resigned 5 July 2016    |
| Dermot Woods   | Director (non-executive) | Appointed 5 November 2013,<br>Resigned 5 July 2016  |

Westoz Funds Management Pty Ltd provides services in the nature of the role of Key Management Personnel to Westoz Investment Company Limited as it has the authority for the management of the investment portfolio of Westoz Investment Company Limited.

## DIRECTORS' REPORT (CONT'D)

### FOR THE YEAR ENDED 30 June 2017

#### 13. REMUNERATION REPORT (AUDITED) (CONT'D)

The share and option holdings of KMP at 30 June 2017 are as follows:

| As at 30 June 2017          | Balance 1 July 2016 or Commencement |                     | Net Change          |                                  |                                  | Balance 30 June 2017 or Resignation |                                  |                                  |
|-----------------------------|-------------------------------------|---------------------|---------------------|----------------------------------|----------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Director                    | Shares                              | 2016 \$1.05 Options | Shares <sup>1</sup> | 2016 \$1.05 Options <sup>2</sup> | 2017 \$1.05 Options <sup>2</sup> | Shares                              | 2016 \$1.05 Options <sup>2</sup> | 2017 \$1.05 Options <sup>2</sup> |
| Jay Hughes                  |                                     |                     |                     |                                  |                                  |                                     |                                  |                                  |
| Held Directly or indirectly | 770,000                             | 60,840              | 95,000              | (60,840)                         | 79,100                           | 865,000                             | -                                | 79,100                           |
| Simon Joyner                |                                     |                     |                     |                                  |                                  |                                     |                                  |                                  |
| Held Directly or indirectly | 310,000                             | 30,867              | 45,000              | (30,867)                         | 31,000                           | 355,000                             | -                                | 31,000                           |
| Terry Budge                 |                                     |                     |                     |                                  |                                  |                                     |                                  |                                  |
| Held Directly or indirectly | 196,134                             | 19,614              | -                   | (19,614)                         | 19,614                           | 196,134                             | -                                | 19,614                           |
| Philip Rees                 |                                     |                     |                     |                                  |                                  |                                     |                                  |                                  |
| Held Directly or indirectly | 346,877                             | 33,346              | -                   | -                                | -                                | 346,877                             | 33,346                           | -                                |
| Dermot Woods                |                                     |                     |                     |                                  |                                  |                                     |                                  |                                  |
| Held Directly or indirectly | 145,383                             | 14,493              | -                   | -                                | -                                | 145,383                             | 14,493                           | -                                |
| Stephen Tucker              |                                     |                     |                     |                                  |                                  |                                     |                                  |                                  |
| Held Directly or indirectly | 314,768                             | 30,260              | 10,706              | (30,260)                         | -                                | 325,474                             | -                                | -                                |

1. Net Change in Shares reflects on market purchases.
2. Unexercised 2016 \$1.05 options expired on 31 August 2016. The 2017 \$1.05 options were issued pursuant to the Bonus Issue prospectus issued on 13 September 2016 to all shareholders and are exercisable up until 31 August 2017. The offer made a bonus issue of one Option for every 10 Shares held by shareholders at the record date.

The share and option holdings of KMP at 30 June 2016 are as follows:

| As at 30 June 2016          | Balance 1 July 2015 |                | Net Change          |                             |                             | Balance 30 June 2016 |                             |
|-----------------------------|---------------------|----------------|---------------------|-----------------------------|-----------------------------|----------------------|-----------------------------|
| Director                    | Shares              | \$1.30 Options | Shares <sup>1</sup> | \$1.30 Options <sup>2</sup> | \$1.05 Options <sup>2</sup> | Shares               | \$1.05 Options <sup>2</sup> |
| Philip Rees                 |                     |                |                     |                             |                             |                      |                             |
| Held Directly or indirectly | 317,252             | -              | 29,625              | -                           | 33,346                      | 346,877              | 33,346                      |
| Jay Hughes                  |                     |                |                     |                             |                             |                      |                             |
| Held Directly or indirectly | 514,128             | 51,414         | 255,872             | (51,414)                    | 60,840                      | 770,000              | 60,840                      |
| Dermot Woods                |                     |                |                     |                             |                             |                      |                             |
| Held Directly or indirectly | 118,855             | 11,000         | 26,528              | (11,000)                    | 14,493                      | 145,383              | 14,493                      |
| Stephen Tucker              |                     |                |                     |                             |                             |                      |                             |
| Held Directly or indirectly | 300,641             | 29,780         | 14,127              | (29,780)                    | 30,260                      | 314,768              | 30,260                      |
| Terry Budge                 |                     |                |                     |                             |                             |                      |                             |
| Held Directly or indirectly | 196,134             | 19,614         | -                   | (19,614)                    | 19,614                      | 196,134              | 19,614                      |

1. Net Change in Shares reflects on market purchases in the case of Mr Hughes and Woods and participation in Dividend Reinvestment Plan for Messrs Rees, Woods and Tucker.
2. Unexercised \$1.30 options expired on 31 August 2015. The \$1.05 options were issued pursuant to the Bonus Issue prospectus issued on 21 August 2015 to all shareholders. The offer made a bonus issue of one Option for every 10 Shares held by shareholders at the record date.

Details of remuneration for the years ended 30 June 2017 and 30 June 2016 is as follows:

|                 |      | Short-term    | Post-employment     |            |
|-----------------|------|---------------|---------------------|------------|
|                 |      | Base Fee (\$) | Superannuation (\$) | Total (\$) |
| <b>S Joyner</b> | 2017 | 50,422        | 4,790               | 55,212     |
|                 | 2016 | -             | -                   | -          |
| <b>S Tucker</b> | 2017 | 12,750        | 1,211               | 13,961     |
|                 | 2016 | 50,228        | 4,772               | 55,000     |
| <b>T Budge</b>  | 2017 | 55,000        | -                   | 55,000     |
|                 | 2016 | 55,000        | -                   | 55,000     |

The elements of emoluments have been determined on the basis of the cost to the Company. Emoluments of Directors are not related to the performance of the Company. The maximum remuneration paid to Directors' is currently set to not exceed \$200,000 per annum.

The Directors of Westoz Investment Company Limited during the period or part thereof were Mr Philip Rees, Mr Jay Hughes, Mr Dermot Woods, Mr Stephen Tucker, Mr Simon Joyner and Mr Terry Budge.

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

### **FOR THE YEAR ENDED 30 June 2017**

#### **13. REMUNERATION REPORT (AUDITED) (CONT'D)**

Westoz Funds Management Pty Ltd, a company of which Messrs Rees, Woods, Tucker and Hughes were Directors provides Key Management Personnel ("KMP") services to Westoz Investment Company Limited as it has the authority for the management of the investment portfolio of Westoz Investment Company Limited. Westoz Funds Management Pty Ltd received management fees from the Company for the management of its assets. A total (inclusive of performance fees where applicable) of \$2,344,675 (2016: \$1,227,645) was charged in the period for these services. A performance fee of \$943,000 was paid in respect of the 2017 financial year (2016: nil). There is \$125,400 outstanding as at 30 June 2017 (2016: \$111,650).

These fees were charged in accordance with a management agreement. Management fee is calculated at 1% per annum of funds managed. A performance fee is payable where performance exceeds 10% over a twelve month period to the end of June and is calculated at 20% of the performance exceeding the threshold. The performance fee is based on the above performance condition to be able to link the performance of the company to the services provided by the fund manager.

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

Euroz Securities Limited, a company of which Mr Hughes is a director, received brokerage fees for transactions undertaken by the company in respect of its investments. An amount of \$416,463 was paid in the period (2016: \$598,875) as brokerage to Euroz Securities Limited. There is \$405 outstanding as at 30 June 2017 (2016: \$3,498).

The above transactions were entered into on normal commercial terms.

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

| Financial Year Ending<br>June 30 | EPS<br>(cents) | Share price at balance date<br>(cents) |
|----------------------------------|----------------|--|
| 2013                             | 6.2            | 106.5                                  |
| 2014                             | 16.6           | 132.0                                  |
| 2015                             | -15.5          | 92.5                                   |
| 2016                             | 0.1            | 82.5                                   |
| 2017                             | 12.5           | 96.0                                   |

There are no long term incentives payable.

**(End of Remuneration Report)**

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

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Westoz Investment Company Limited support and have adopted a corporate governance plan. Details of the Corporate Governance Practices can be found on our website [www.westozfunds.com.au](http://www.westozfunds.com.au).

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

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

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**DIRECTORS' REPORT (CONT'D)**  
**FOR THE YEAR ENDED 30 June 2017****16. AUDITOR INDEPENDENCE AND NON AUDIT SERVICES**

The auditor's independence declaration under section 307C of the Corporations Act 2001 is included on page 14 and forms part of the Westoz Investment Company Limited's report for the year ended 30 June 2017.

**Non-audit Services:**

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

|                |        |
|----------------|--------|
|                | \$     |
| Tax Compliance | 12,650 |

The Directors are satisfied the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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



**JAY HUGHES**  
**Non Executive Chairman**  
**Dated: 22 August 2017**  
**Perth, Western Australia**



Ernst & Young  
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Perth WA 6000 Australia  
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## Auditor's Independence Declaration to the Directors of Westoz Investment Company Limited

As lead auditor for the audit of Westoz Investment Company Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Robert A Kirkby  
Partner  
22 August 2017



**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 June 2017**

|   | Note   | 30/06/2017<br>\$         | 30/06/2016<br>\$      |
|---|--------|--------------------------|-----------------------|
| <b>Revenue</b>  |        |                          |                       |
| Interest revenue  |        | 285,468                  | 678,690               |
| Dividend revenue  |        | 3,079,422                | 4,100,414             |
| Other   |        | 3,925                    | -                     |
| <b>Total revenue</b>  |        | <u>3,368,815</u>         | <u>4,779,104</u>      |
| Changes in the fair value of investments designated at fair value through profit or loss upon initial recognition | 4      | 21,154,274               | (4,803,616)           |
|   |        | <u>24,523,089</u>        | <u>(24,512)</u>       |
| <b>EXPENSES</b>   |        |                          |                       |
| Management fees   | 15 (b) | 2,344,675                | 1,227,645             |
| Director fees   |        | 124,173                  | 110,846               |
| Professional fees   |        | 83,532                   | 92,968                |
| Share Registry Costs  |        | 61,291                   | 53,776                |
| Other expenses  | 6      | 96,777                   | 89,838                |
| <b>Total expenses</b>   |        | <u>2,710,488</u>         | <u>1,575,073</u>      |
| <b>PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE</b>  |        | <u>21,812,641</u>        | <u>(1,599,585)</u>    |
| Income tax (expense)/benefit  | 7      | (5,656,266)              | 1,702,604             |
| <b>NET PROFIT ATTRIBUTABLE TO MEMBERS OF THE COMPANY</b>  |        | <u><u>16,156,375</u></u> | <u><u>103,019</u></u> |
| <b>Other Comprehensive Income</b>   |        | <u>-</u>                 | <u>-</u>              |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>  |        | <u><u>16,156,375</u></u> | <u><u>103,019</u></u> |
| <b>Earnings per share (cents)</b>   |        |                          |                       |
| - Basic and Diluted   | 16     | 12.5                     | 0.1                   |

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

# STATEMENT OF FINANCIAL POSITION

## AS AT 30 June 2017

|  | Note   | 30/06/2017<br>\$   | 30/06/2016<br>\$   |
|--|--------|--------------------|--------------------|
| <b>CURRENT ASSETS</b>  |        |                    |                    |
| Cash and Cash Equivalents  | 19 (a) | 30,431,954         | 48,878,554         |
| Due from broker in relation to short sales                                       |        | 2,510,385          | -                  |
| Other Current Assets   | 9      | 227,821            | 47,789             |
| <b>TOTAL CURRENT ASSETS</b>  |        | <b>33,170,160</b>  | <b>48,926,343</b>  |
| <b>NON CURRENT ASSETS</b>  |        |                    |                    |
| Investments in financial assets designated at fair value through profit or loss: |        |                    |                    |
| - Listed Equities  | 5      | 105,211,002        | 72,448,085         |
| - Unlisted Equities  | 5      | -                  | 1,600,000          |
| Deferred tax Assets  | 7      | 4,243,903          | 9,900,169          |
| <b>TOTAL NON CURRENT ASSETS</b>  |        | <b>109,454,905</b> | <b>83,948,254</b>  |
| <b>TOTAL ASSETS</b>  |        | <b>142,625,065</b> | <b>132,874,597</b> |
| <b>CURRENT LIABILITIES</b>   |        |                    |                    |
| Trade and Other Payables   | 10     | 218,967            | 1,069,801          |
| Liabilities at fair value through profit or loss:                                |        |                    |                    |
| - Equity securities sold short   |        | 2,380,000          | -                  |
| Dividend Payable   | 8      | 3,870,168          | 3,875,446          |
| <b>TOTAL CURRENT LIABILITIES</b>   |        | <b>6,469,135</b>   | <b>4,945,247</b>   |
| <b>TOTAL LIABILITIES</b>   |        | <b>6,469,135</b>   | <b>4,945,247</b>   |
| <b>NET ASSETS</b>  |        | <b>136,155,930</b> | <b>127,929,350</b> |
| <b>EQUITY</b>  |        |                    |                    |
| Contributed Equity   | 11     | 138,328,606        | 138,515,627        |
| Profit Reserve   | 12     | 25,446,987         | 18,190,911         |
| Accumulated Loss   | 13     | (27,619,663)       | (28,777,188)       |
| <b>TOTAL EQUITY</b>  |        | <b>136,155,930</b> | <b>127,929,350</b> |

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

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 June 2017**

|  | Note  | 30/06/2017<br>\$         | 30/06/2016<br>\$         |
|--|-------|--------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |       |                          |                          |
| Interest received  |       | 285,468                  | 678,690                  |
| Dividends received   |       | 3,079,422                | 4,100,414                |
| Payments to suppliers and employees (inclusive of GST)                                   |       | (2,774,377)              | (1,573,147)              |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>  | 19(b) | <u>590,513</u>           | <u>3,205,957</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |       |                          |                          |
| Proceeds from sale of investments designated as at fair value through profit or loss     |       | 91,696,080               | 97,417,445               |
| Payments for purchases of investments designated as at fair value through profit or loss |       | (102,798,119)            | (87,647,130)             |
| <b>NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES</b>                                |       | <u>(11,102,039)</u>      | <u>9,770,315</u>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |       |                          |                          |
| Issue of ordinary shares, net of issue costs   |       | (12,121)                 | (24,212)                 |
| Share Buyback  |       | (174,900)                | (54,697)                 |
| Dividends paid   |       | (7,748,053)              | (9,693,860)              |
| <b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>                                       |       | <u>(7,935,074)</u>       | <u>(9,772,769)</u>       |
| <b>NET (DECREASE)/INCREASE IN CASH HELD</b>  |       | <u>(18,446,600)</u>      | <u>3,203,503</u>         |
| Cash and cash equivalents at the beginning of the period                                 |       | <u>48,878,554</u>        | <u>45,675,051</u>        |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>                                | 19(a) | <u><u>30,431,954</u></u> | <u><u>48,878,554</u></u> |

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 June 2017**

|   | <b>Contributed<br/>Equity</b> | <b>Profit Reserve</b> | <b>Accumulated<br/>Losses</b> | <b>Total Equity</b> |
|---|-------------------------------|-----------------------|-------------------------------|---------------------|
|   | \$                            | \$                    | \$                            | \$                  |
| <b>At 1 July 2016</b>                                 | 138,515,627                   | 18,190,911            | (28,777,188)                  | 127,929,350         |
| Profit for the year                                   | -                             | -                     | 16,156,375                    | 16,156,375          |
| Total Comprehensive income for the year               | -                             | -                     | 16,156,375                    | 16,156,375          |
| Transfer from Retained Earnings to Profit Reserve     | -                             | 14,998,850            | (14,998,850)                  | -                   |
| Transactions with owners in their capacity as owners: |                               |                       |                               |                     |
| Issued Capital  | (12,121)                      | -                     | -                             | (12,121)            |
| Share buyback costs                                   | (174,900)                     | -                     | -                             | (174,900)           |
| Dividends for the Year                                | -                             | (7,742,774)           | -                             | (7,742,774)         |
| <b>At 30 June 2017</b>                                | <b>138,328,606</b>            | <b>25,446,987</b>     | <b>(27,619,663)</b>           | <b>136,155,930</b>  |
| <b>At 1 July 2015</b>                                 | 138,594,536                   | 25,943,910            | (28,880,207)                  | 135,658,239         |
| Profit for the year                                   | -                             | -                     | 103,019                       | 103,019             |
| Total Comprehensive income for the year               | -                             | -                     | 103,019                       | 103,019             |
| Transactions with owners in their capacity as owners: |                               |                       |                               |                     |
| Issued Capital  | (24,212)                      | -                     | -                             | (24,212)            |
| Share buyback costs                                   | (54,697)                      | -                     | -                             | (54,697)            |
| Dividends for the Year                                | -                             | (7,752,999)           | -                             | (7,752,999)         |
| <b>At 30 June 2016</b>                                | <b>138,515,627</b>            | <b>18,190,911</b>     | <b>(28,777,188)</b>           | <b>127,929,350</b>  |

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 1. CORPORATE INFORMATION

The financial report of Westoz Investment Company Limited for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 22 August 2017.

Westoz Investment Company Limited is a company limited by shares that is incorporated and domiciled in Australia whose shares are listed on the Australian Stock Exchange. The registered office is located at Level 18, 58 Mounts Bay Road Perth, Western Australia 6000.

Westoz Investment Company Limited does not control any entities at 30 June 2017.

The company had no paid employees as at 30 June 2017.

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

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

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

The financial report for the year ended 30 June 2017 has been prepared on a historical cost basis except for investments in financial assets designated as at fair value through profit or loss, which are measured at fair value.

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

#### (b) Statement of Compliance

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

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

The Company has adopted new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2016, including:

- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

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

#### (c) New standards issued or amended but not yet effective

Applicable Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2017. These are included in the table below.

| Reference                                | Title   | Summary of the new standard or amendment  | Impact on Company   | Application date of standard | Application date for the Company |
|--|---|---|---|------------------------------|----------------------------------|
| AASB 9                                   | <i>Financial Instruments</i>  | <p>AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.</p> <p>Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.</p> <p>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p> | No material impact  | 1 January 2018               | 1 July 2018                      |
| AASB 15, and relevant amending standards | Revenue from Contracts with Customers   | <p>AASB 15 replaces all existing revenue requirements in Australian Accounting and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 Leases, once applied).</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> <li>▶ Step 1: Identify the contract(s) with a customer</li> <li>▶ Step 2: Identify the performance obligations in the contract</li> <li>▶ Step 3: Determine the transaction price</li> <li>▶ Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>▶ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.</li> </ul>  | No material impact  | 1 January 2018               | 1 July 2018                      |
| 2016-1                                   | Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112] | This statement amends AASB 112 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.   | The Company is in the process of assessing the impact of the amendments | 1 January 2017               | 1 July 2017                      |

| Reference | Title  | Summary of the new standard or amendment   | Impact on Company   | Application date of standard | Application date for the Company |
|-----------|--|--|---|------------------------------|----------------------------------|
| 2016-2    | Amendments to Australian Accounting Standards – Disclosure Initiative:<br>Amendments to AASB 107 | The amendments to AASB 107 Statement of Cash Flows are part of IASB's Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).  | The Company is in the process of assessing the impact of the amendments | 1 January 2017               | 1 July 2017                      |
| IFRIC 23  | <i>Uncertainty over Income Tax Treatments</i>  | <p>The Interpretation clarifies the application of the recognition and measurement criteria in IAS 12 <i>Income Taxes</i> when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:</p> <ul style="list-style-type: none"> <li>▶ Whether an entity considers uncertain tax treatments separately</li> <li>▶ The assumptions an entity makes about the examination of tax treatments by taxation authorities</li> <li>▶ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates</li> <li>▶ How an entity considers changes in facts and circumstances.</li> </ul> | The Company is in the process of assessing the impact of the amendments | 1 January 2019               | 1 January 2019                   |

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

### (d) Financial assets and liabilities

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

Financial assets within the scope of AASB 139 are classified as financial assets at fair value through profit or loss or as loans and receivables as appropriate. The Company determines the classification of its financial assets at initial recognition.

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

The Company may make short sales in which borrowed security is sold in anticipation of a decline in the market value of the security. Short sales are classified as current financial liabilities at fair value through profit and loss.

#### *(ii) Subsequent measurement*

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

*Financial assets and liabilities at fair value through profit or loss.*

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

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

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

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

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

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

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

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



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

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

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

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

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

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

### (d) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and short term deposits, including bank bills with a maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

### (e) Income Tax

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

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

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

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

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

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

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

### (e) Income Tax

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

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

### (f) Other Taxes

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

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

### (g) Revenue Recognition

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

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

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

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

### (h) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid on goods and services received, whether or not billed to the entity. They represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company is obliged to make future payments in respect of the purchase of these goods and services.

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

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

### (i) Contributed Equity

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

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

### (j) Earnings Per Share

Basic earnings per share (EPS) is calculated as net profit attributed to ordinary equity holders divided by the weighted average number of ordinary shares outstanding during the period adjusted for any bonus element. Diluted earnings per share is calculated as net profit attributable to ordinary equity holders, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### (k) Trade and other receivables

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

### (l) Dividends

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

### (m) Management Fees

Management fees, including performance fees, are calculated in accordance with contractual arrangements and are payable in the year in which the returns are generated.

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

### (n) Due to and from brokers

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

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

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

#### Taxes

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Deferred tax assets relate to unrealised losses on investments in financial assets and recognised tax losses.

Future taxable profits depend on the success of the Company's investment strategy which in turn will be influenced by the overall direction of equity markets. The markets are influenced by a number of factors such as outlook for growth, inflation, commodity prices, interest rates, general economic conditions, natural disasters & government regulation. Management has estimated future taxable profits based on an analysis that historic returns (per annum, since inception) on the investment portfolio of Westoz Investment Company Limited. Market estimates of long term Australian equity market returns are anticipated to be higher than the return that will be required to be generated by Westoz Investment Company Limited in order to utilise the deferred tax asset. Changes in assumptions & estimates may affect the ability to recognise deferred tax assets.

There are no other significant accounting judgments, estimates and assumptions during the financial year.

## 3. SEGMENT INFORMATION

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

The company operated in one geographical area being Australia.

## 4. CHANGES IN FAIR VALUE OF INVESTMENTS

|  | 30/06/17<br>\$    | 30/06/16<br>\$     |
|--|-------------------|--------------------|
| Net realised (loss) on disposal of investments | (1,584,331)       | (5,918,863)        |
| Net unrealised gain on investments             | 22,738,605        | 1,115,249          |
|  | <u>21,154,274</u> | <u>(4,803,616)</u> |

The total number of contract notes that were issued for transactions during the financial year was 500 (2016: 830). The total brokerage paid on these contract notes was \$451,907 (2016: \$672,136).

## 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

|  | 30 June 2017                            |  |  |                    |
|--|---|--|--|--------------------|
|  | Valued at Quoted market price (Level 1) | Valuation Technique market observable inputs (Level 2) | Valuation technique non – market observable inputs (Level 3) | Total              |
| <b>Financial assets and liabilities at fair value through profit or loss</b> |   |  |  |                    |
| (i) Listed equities - long   | 105,211,002                             | -  | -  | 105,211,002        |
| (ii) Listed equities - short   | (2,380,000)                             | -  | -  | (2,380,000)        |
|  | <b>102,831,002</b>                      | <b>-</b>   | <b>-</b>   | <b>102,831,002</b> |

|  | 30 June 2016                            |  |  |                   |
|--|---|--|--|-------------------|
|  | Valued at Quoted market price (Level 1) | Valuation Technique market observable inputs (Level 2) | Valuation technique non – market observable inputs (Level 3) | Total             |
| <b>Financial assets at fair value through profit or loss</b> |   |  |  |                   |
| (i) Listed equities  | 72,448,085                              | -  | -  | 72,448,085        |
| (ii) Unlisted equities                                       | -                                       | -  | 1,600,000 <sup>1</sup>                                       | 1,600,000         |
|  | <b>72,448,085</b>                       | <b>-</b>   | <b>1,600,000</b>   | <b>74,048,085</b> |

1. Unlisted equities held at 30 June 2016 were transferred to level one during the latest period on listing of the shares on the ASX.

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

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

For instruments for which there is currently no active market the Company uses valuation methods generally accepted in the industry. Some of the inputs to those methods may not be market observable and are therefore estimated based on assumptions. In the case of unlisted equities, recent transactional evidence has been obtained that supported the current valuation. If, in the future, similar transactions occur at significantly different values, the fair value of unlisted equities will be revised appropriately.

## 6. OTHER EXPENSES

### Expenses

|                    | 30/06/17<br>\$ | 30/06/16<br>\$ |
|--------------------|----------------|----------------|
| Stock Borrow Costs | 18,700         | -              |
| ASX Fees           | 60,308         | 57,751         |
| Marketing          | 6,943          | 16,800         |
| Other              | 10,826         | 15,287         |
|                    | <u>96,777</u>  | <u>89,838</u>  |

## 7. INCOME TAX

The major components of income tax expense are:

### Statement of comprehensive income

#### Current Income Tax

|                                     |   |   |
|-------------------------------------|---|---|
| Current income tax charge/(benefit) | - | - |
|-------------------------------------|---|---|

#### Deferred income tax

Relating to origination and reversal of temporary differences

|   |                  |                    |
|---|------------------|--------------------|
|   | 5,656,266        | (1,702,604)        |
| <b>Income tax expense reported in statement of comprehensive income</b> | <u>5,656,266</u> | <u>(1,702,604)</u> |

A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Company's applicable tax rate is as follows:

|   |                  |                    |
|---|------------------|--------------------|
| Accounting / profit/(loss) before tax                   | 21,812,641       | (1,599,585)        |
| Tax at the statutory income tax rate of 30% (2016: 30%) | 6,543,792        | (479,875)          |
| Tax effect of franking credits                          | (887,526)        | (1,222,729)        |
| <b>Income tax expense/(benefit)</b>                     | <u>5,656,266</u> | <u>(1,702,604)</u> |

### Deferred Income tax

Deferred income tax at 30 June relates to the following:

|   | Statement of financial position |                  | Statement of comprehensive income |                    |
|---|---------------------------------|------------------|-----------------------------------|--------------------|
|   | 2017                            | 2016             | 2017                              | 2016               |
|   | \$                              | \$               | \$                                | \$                 |
| <i>Deferred Tax Assets</i>                                |                                 |                  |                                   |                    |
| Tax loss recognised                                       | 6,219,372                       | 5,054,056        | (1,165,316)                       | (2,037,178)        |
| Unrealised gain/(loss) on investments in financial assets | -                               | 4,846,113        | 4,846,113                         | 334,574            |
| Total DTA   | <u>6,219,372</u>                | <u>9,900,169</u> | <u>3,680,797</u>                  | <u>(1,702,604)</u> |
| <i>Deferred Tax Liabilities</i>                           |                                 |                  |                                   |                    |
| Unrealised gain on investments in financial assets        | (1,975,569)                     | -                | 1,975,569                         | -                  |
| Total DTL   | <u>(1,975,569)</u>              | <u>-</u>         | <u>1,975,569</u>                  | <u>-</u>           |
| Net DTA/(DTL)   | <u>4,243,903</u>                | <u>9,900,169</u> | <u>5,656,266</u>                  | <u>(1,702,604)</u> |

Deferred tax assets relate to unrealised losses on investments in financial assets and recognised tax losses. Based on long term movements in the Australian equity market returns, it is probable that the Company will make future taxable profits and such losses will be utilized.

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

|   | 30/06/17<br>\$ | 30/06/16<br>\$ |
|---|----------------|----------------|
| <b>Ordinary Shares</b>  |                |                |
| A Final dividend of 3.0 cents per share has been declared and provided for at 30 June 2017 (2016 – 3.0 cents)   | 3,870,168      | 3,875,446      |
| Fully franked based on tax paid or payable at 30%   |                |                |
| An interim dividend of 3.0 cent per share has been declared and paid for on 20 February 2017 (2016 – 3.0 cents) | 3,872,606      | 3,877,552      |
| Fully franked based on tax paid or payable at 30%   |                |                |
|   |                |                |
| Total dividends paid or declared  | 7,742,774      | 7,752,998      |
| <b>Franking Credit Balance</b>  |                |                |
| Franking credits available at the end of the financial year at 30% (2016 – 30%)                                 | 5,196,136      | 7,249,102      |
| Franking credits that will arise from the payment of income tax payable as at the end of the financial year     | -              | -              |
| Franking debits that will arise by the payment of dividends as at the end of the financial year                 | (1,658,643)    | (1,660,906)    |
|   | 3,537,493      | 5,588,196      |

**9. OTHER CURRENT ASSETS**

|                              |         |        |
|------------------------------|---------|--------|
| Outstanding sale settlements | 100,854 | -      |
| GST receivable               | 126,967 | 47,789 |
|                              | 227,821 | 47,789 |

Sale settlements are generally received within 2 days. The Company has not had any history of bad debts in settling the sale transactions with any of the brokers it deals with. Interest receivable is accrued on term deposits. GST receivable is non-interest bearing and is generally claimed from the Australian Tax Office on a quarterly basis.

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

**10. TRADE AND OTHER PAYABLES**

|                                  |         |           |
|----------------------------------|---------|-----------|
| Trade Payables                   | 202,658 | 191,335   |
| Outstanding purchase settlements | 16,309  | 878,466   |
|                                  | 218,967 | 1,069,801 |

Trade payables are non-interest bearing and normally settled on 30 day terms. Purchase settlements are generally settled within 2 days.

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

## 11. CONTRIBUTED EQUITY

### (a) *Contributed equity*

129,005,588 fully paid ordinary shares (2016:  
129,181,548 fully paid ordinary shares)

30/06/17  
\$

138,328,606

30/06/16  
\$

138,515,627

### (b) *Movements in ordinary shares on Issue*

|                                   | Number of<br>Shares | \$          | Number of<br>Shares | \$          |
|-----------------------------------|---------------------|-------------|---------------------|-------------|
| Beginning of the financial period | 129,181,548         | 138,515,627 | 129,251,273         | 138,594,536 |
| Issued during the period          |                     |             |                     |             |
| - Option Exercise                 | 17,649              | 18,531      | 275                 | 326         |
| - Share Buyback                   | (193,609)           | (174,900)   | (70,000)            | (54,697)    |
| Equity Raising Costs              | -                   | (30,652)    | -                   | (24,538)    |
|                                   | 129,005,588         | 138,328,606 | 129,181,548         | 138,515,627 |

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

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

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

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

### (d) *Options*

During the period 12,904,571 options with a \$1.05 strike price expired unexercised on 31 August 2016. 2,725 of these options were exercised during the period.

At balance date, there were 12,882,851 options outstanding. The options were issued pursuant to the Bonus Issue prospectus issued on 13 September 2016 to all shareholders. The offer made a bonus issue of one Option for every 10 Shares held by shareholders at the record date. These options are exercisable into 12,882,851 new ordinary shares in the Company that rank equally with other ordinary shares by the payment of \$1.05 per option at any time up until expiry date of 31 August 2017. 14,924 of these options were exercised during the period. 180 of these options have been exercised in the current period since 30 June 2017.

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

### (e) *Capital Management*

For the purpose of the Company's capital management, capital includes issued equity share capital, accumulated losses and profit reserve.

The primary objective of the Company's capital management is to produce positive return on funds, regardless of the general direction of the listed share market and that is consistent with acceptable risk parameters in order to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

As far as possible, the Company intends to pay out a consistent stream of dividends to investors, having regard to availability of franking credits and the balance in the profit reserve.

The Company was ungeared at year end and not subject to any externally imposed capital requirement.



**12. PROFIT RESERVE**

|                | 30/06/17<br>\$    | 30/06/16<br>\$    |
|----------------|-------------------|-------------------|
| Profit Reserve | 25,446,987        | 18,190,911        |
|                | <u>25,446,987</u> | <u>18,190,911</u> |

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

|  |                   |                   |
|--|-------------------|-------------------|
| Movement in Profits Reserve            |                   |                   |
| Balance at beginning of the year       | 18,190,911        | 25,943,910        |
| Transferred from Retained Earnings (a) | 14,998,850        | -                 |
| Provision for dividend                 | (7,742,774)       | (7,752,999)       |
|  | <u>25,446,987</u> | <u>18,190,911</u> |

(a) The amount transferred to profit reserve is the profit for the period 1 July 2016 to 30 September 2016 and 1 October to 31 December 2016 in accordance with resolutions of the Board of Directors dated 17 October 2016 and 19 January 2017.

**13. ACCUMULATED LOSS**

|   |                     |                     |
|---|---------------------|---------------------|
| Balance at beginning of the year            | (28,777,188)        | (28,880,207)        |
| Transferred to Profit Reserve               | (14,998,850)        | -                   |
| Profit for the year attributable to members | 16,156,375          | 103,019             |
|   | <u>(27,619,663)</u> | <u>(28,777,188)</u> |

**14. AUDITORS' REMUNERATION**

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

|   |               |               |
|---|---------------|---------------|
| - an audit or review of a financial report of the Company | 54,150        | 52,650        |
| - services in relation to tax compliance for the Company  | 12,650        | 14,300        |
|   | <u>66,800</u> | <u>66,950</u> |

**15. RELATED PARTY DISCLOSURE*****a) Remuneration of Directors and Executives***

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

Mr Budge, Mr Joyner and Mr Tucker (resigned 9 September 2016) are the only paid Directors of the Company in the financial year. The total remuneration payable for the financial period is \$124,173 (2016: \$110,000) of which \$118,172 was a short term benefit (2016: \$105,228) and \$6,001 was post-employment benefit (2016:\$4,772).

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

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

The Directors of Westoz Investment Company Limited during the period were Mr Philip Rees (resigned 5 July 2016), Mr Jay Hughes, Mr Dermot Woods (resigned 5 July 2016), Mr Stephen Tucker (resigned 9 September 2016) Mr Simon Joyner (appointed 5 July 2016) and Mr Terry Budge.

Westoz Funds Management Pty Ltd, a company of which Messrs Rees, Woods, Tucker and Hughes were Directors provides Key Management Personnel (“KMP”) services to Westoz Investment Company Limited as it has the authority for the management of the investment portfolio of Westoz Investment Company Limited. Westoz Funds Management Pty Ltd received management fees from the company for the management of its assets. A total (inclusive of performance fees where applicable) of \$2,344,675 (2016: \$1,227,645) was charged in the period for these services. A performance fee of \$943,000 (2016: nil) was accrued and paid in respect of the period. There is \$125,400 outstanding as at 30 June 2017 (2016: \$111,650).

These fees were charged in accordance with a management agreement. Management fee is calculated at 1% per annum of funds managed. A performance fee is payable where performance exceeds 10% over a twelve month period to end of June and is calculated at 20% of the performance exceeding the threshold. The starting point for the calculation of the threshold is the greater of the starting portfolio value and the number of shares on issue multiplied by \$1.00.

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

Euroz Securities Limited, a company of which Mr Hughes was a Director received fees for brokerage on transactions undertaken by the company in respect of its investments. An amount of \$416,463 was paid in the period (2016: \$598,876) as brokerage to Euroz Securities Limited. There is \$405 outstanding as at 30 June 2016 (2016: \$3,498). Euroz Securities also provides nominee and custodial services for the company. No fees were paid in relation to these services in the period (2016: nil).

The above transactions were entered into on normal commercial terms.

### *(c) Ultimate Parent*

Westoz Investment Company Limited is the ultimate Australian parent company.

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

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

## 16. EARNINGS PER SHARE

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest and dividends in relation to dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

**16. EARNINGS PER SHARE (CONT'D)**

The following reflects the income and share data used in the basic and diluted earnings per share computations:

|   | <b>30/06/17</b> | <b>30/06/16</b> |
|---|-----------------|-----------------|
|   | <b>\$</b>       | <b>\$</b>       |
| Net profit attributable to ordinary equity holders of the company used in calculating basic earnings per share and diluted earnings per share | 16,156,375      | 103,019         |
| Weighted average number of ordinary shares on issue used in the calculation of basic earnings and diluted per share                           | 129,104,371     | 129,242,307     |
| Basic earnings per share (cents)  | 12.5            | 0.1             |
| Diluted earnings per share (cents)  | 12.5            | 0.1             |

The Company has on issue 12,882,851 options. These options are exercisable into 12,882,851 new ordinary shares that rank equally with other ordinary shares by the payment of \$1.05 per option at any time up until expiry date of 31 August 2017.

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

**17. EVENTS SUBSEQUENT TO BALANCE DATE**

As at 31 July 2017, the All Ordinaries Accumulation Index (being an indication of a general move in the equity market) had risen approximately 0.2% since 30 June 2017.

No matters or events have occurred subsequent to 30 June 2017 which have significantly affected or may significantly affect the operations of the Company, the results of its operations or the state of affairs of the Company in subsequent financial periods.

**18. CONTINGENT LIABILITIES**

The Company has no contingent liabilities.

**19. NOTES TO THE STATEMENTS OF CASH FLOW****(a) Reconciliation of Cash**

For the purpose of the annual report, cash and cash equivalents are composed of the following:

|                          | <b>30/06/17</b>   | <b>30/06/16</b>   |
|--------------------------|-------------------|-------------------|
|                          | <b>\$</b>         | <b>\$</b>         |
| Cash at Bank and in hand | 30,431,954        | 48,878,554        |
|                          | <u>30,431,954</u> | <u>48,878,554</u> |

Cash at bank and in hand earns interest at floating rates based on daily deposit rates. Term deposits are for a period of not more than three months and earn interest at available rates at the time of deposit.

The fair value of cash and cash equivalents is \$30,431,954 (2016: \$48,878,554). Of the total cash and cash equivalents held at 30 June 2017, \$30,263,818 was held in the investment portfolio. The balance of the cash amount shown in the portfolio includes net settlements outstanding and outstanding short sale amounts.

**19. NOTES TO THE STATEMENTS OF CASH FLOW (CONT'D)****(b) Reconciliation from the Net Profit after Income Tax to Net Cash flows Generated from Operating Activities**

|   |              |             |
|---|--------------|-------------|
| Net profit after tax                              | 16,156,375   | 103,019     |
| <b>Adjustment for Non-Cash Items:</b>             |              |             |
| <b>Items classified as Investing</b>              |              |             |
| Unrealised (profit)/loss on shares                | (22,738,605) | (1,115,249) |
| Realised (profit)/loss on shares                  | 1,584,332    | 5,918,864   |
| <b>Changes in Assets and Liabilities:</b>         |              |             |
| Increase/(Decrease) in trade and other payables   | 11,324       | 1,496       |
| (Increase)/Decrease in other assets               | (79,179)     | 430         |
| (Decrease) / Increase in deferred tax liabilities | 5,656,266    | (1,702,604) |
| Net Cash provided from Operating Activities       | 590,513      | 3,205,957   |

**(c) Financing Facilities Available**

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

**20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

The Company's principal financial instruments comprise listed equities, cash, short term deposits and outstanding sale and purchase settlements. The Company has other financial instruments such as trade creditors and distributions payable which arise directly from its operations. The Company may also transact in other financial instruments, including derivatives, to achieve its target rate of return on assets. No derivatives are held at 30 June 2016.

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

**Liquidity Risk**

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

**Maturity analysis for financial liabilities**

Financial liabilities of the Company comprise trade, other payables and distribution payable, which contractually mature within 30 days.

**Credit Risk**

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

At 30 June 2017, the Company held significant equities, cash balance and other current. Cash deposits were held with an institution covered under the Banking Act 1959 with a rating from Standard & Poors of AA- (long term) and A-1+ (short term). Listed equities were held under a nominee arrangement with Euroz Securities Limited which operates and maintains required prudential matters under an Australian Financial Services Licence. The Company has no past due or impaired debtors as at 30 June 2017.

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

### Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and equity prices. The Company has delegated the management of these risks to Westoz Funds Management Pty Ltd (AFSL No 285607) who has expertise in the management of such risk.

The following risk control features are in place:

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

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

The equity portfolio position as at 30 June 2017 is as follows:

| Investment Portfolio                      |              |                            |  |             |                            |
|---|--------------|----------------------------|--|-------------|----------------------------|
| Industrials                               | Share Value  | Fair Value at 30 June 2017 | Resources  | Share Value | Fair Value at 30 June 2017 |
| Austal Limited                            | 5,313,000    | 9,722,790                  | Australis Oil & Gas Limited  | 43,094,946  | 9,911,838                  |
| Australian Finance Group Ltd              | 2,828,219    | 3,634,261                  | Australis Oil & Gas Limited Options                                      | 1,136,364   | 0                          |
| Cedar Woods Properties Limited            | 2,355,772    | 12,273,572                 | Beach Energy Limited   | 12,670,000  | 7,285,250                  |
| Empired Ltd                               | 5,000,000    | 2,650,000                  | Cooper Energy Limited  | 24,000,000  | 8,880,000                  |
| Finbar Group Limited                      | 7,840,000    | 6,232,800                  | Equatorial Resources Limited   | 2,967,551   | 1,142,507                  |
| IMF Bentham Limited                       | 1,555,000    | 2,923,400                  | Heron Resources Limited  | 5,000,000   | 355,000                    |
| Macmahon Holdings Limited                 | 11,534,756   | 1,903,235                  | Mount Gibson Iron Limited  | 21,000,000  | 6,825,000                  |
| NRW Holdings Limited                      | 13,000,000   | 8,320,000                  | Neometals Ltd  | 8,200,000   | 2,214,000                  |
| Southern Cross Electrical Engineering Ltd | 3,800,000    | 2,128,000                  | OreCorp Limited  | 9,531,182   | 3,621,849                  |
|   |              |                            | Sandfire Resources NL  | 1,350,000   | 7,627,500                  |
|   |              |                            | Western Areas Limited  | 3,600,000   | 7,560,000                  |
|   |              |                            |  |             | 52,422,944                 |
| <b>Short Positions</b>                    | <b>Value</b> |                            |  |             |                            |
| Northern Star Resources Ltd               | (500,000)    | (2,380,000)                | Cash, inclusive of outstanding settlements and funds due from short sale |             | 32,858,748                 |
|   |              | (2,380,000)                |  |             | 135,689,750                |

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

### *Interest Rate Risk*

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

The Company's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash and short term deposits. The total cash balance at 30 June 2017 was \$30,431,954 (2016: \$48,878,554). The Company manages interest rate risk by ensuring that cash balances are always deposited in interest-bearing accounts that provide competitive interest rates.

As at 30 June 2017, cash deposits of \$30,431,954 (2016: \$48,878,554) were held at call. No interest was recorded as a receivable (2016: \$nil).

The following table demonstrates the sensitivity of the Company's Statement of Comprehensive Income to a reasonably possible change in interest rates, with all other variables constant. The change in basis points is derived from a review of historical movements and management's judgement on future trends. The analysis is performed on the same basis for 2017.

| Change in Basis Points |          | 2017                          |           | 2017  |           |
|------------------------|----------|-------------------------------|-----------|---|-----------|
|                        |          | Effect on Pre Tax Profit (\$) |           | Effect on Equity including retained earnings (\$) |           |
| Increase               | Decrease | Increase                      | Decrease  | Decrease  | Increase  |
| 50                     | 50       | 152,000                       | (152,000) | 106,400   | (106,400) |

| Change in Basis Points |          | 2016                          |           | 2016  |           |
|------------------------|----------|-------------------------------|-----------|---|-----------|
|                        |          | Effect on Pre Tax Profit (\$) |           | Effect on Equity including retained earnings (\$) |           |
| Increase               | Decrease | Increase                      | Decrease  | Increase  | Decrease  |
| 50                     | 50       | 244,000                       | (244,000) | 170,800   | (170,880) |

### *Equity Price Risk*

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

The effect on the statement of comprehensive income due to a reasonably possible change in market factors, as represented by the equity indices, with all other factors held constant and assuming the Company's equity portfolio moves in direct concert with the equity indices, is indicated in the table below. The change in index level is derived from a review of historical movements. The analysis is performed on the same basis for 2017.

| Index                      | Change in Index                 | 2017                          |  | 2017  |  |
|----------------------------|---------------------------------|-------------------------------|--|---|--|
|                            |                                 | Effect on Pre Tax Profit (\$) |  | Effect on Equity including retained earnings (\$) |  |
| ASX Small Ordinaries Index | Increase 10%/<br>(Decrease 10%) | 10,280,000/(10,280,000)       |  | 7,196,000/(7,196,000)                             |  |

| Index                      | Change in Index                 | 2016                          |  | 2016  |  |
|----------------------------|---------------------------------|-------------------------------|--|---|--|
|                            |                                 | Effect on Pre Tax Profit (\$) |  | Effect on Equity including retained earnings (\$) |  |
| ASX Small Ordinaries Index | Increase 10%/<br>(Decrease 10%) | 7,240,000/(7,240,000)         |  | 5,068,000/(5,068,000)                             |  |

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Westoz Investment Company Limited, the Directors declare that:

1. In the opinion of the Directors:
  - (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
  - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b); and
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
  - (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2017.

On behalf of the Board



**Jay Hughes**  
**Non Executive Chairman**  
**Dated: 22 August 2017**



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## INDEPENDENT AUDITOR'S REPORT

To the Members of Westoz Investment Company Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Westoz Investment Company Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Company.

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

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

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.





We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## 1. Investment valuation

### Why significant

As a listed investment company, the Company has a significant investment portfolio consisting primarily of listed equities. As at 30 June 2017, the value of these financial assets, per Note 5 to the financial report was \$105.2 million, which equates to 74% of the total assets held by the Company.

As detailed in the Company's accounting policy, as described in Note 2(c) to the financial report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standard - AASB 139: *Financial Instruments Recognition and Measurement* (AASB 139).

Volatility and other market drivers can have a significant impact on the value of these financial assets, therefore valuation of the investment portfolio was considered a key area of focus.

### How our audit addressed the key audit matter

We checked the valuation of all positions in the portfolio held at 30 June 2017. To validate the fair value in accordance with AASB 139, we agreed the listed securities to independent pricing sources.

We assessed the adequacy of the disclosures in Note 5 to the financial report.

## 2. Management and performance fees

### Why significant

Management and performance fees paid to the investment manager, Westoz Funds Management Pty Ltd, are the most significant expense for the Company.

As at 30 June 2017, management and performance fees totalled \$2.3 million which equates to 86 % of total expenses.

The Company's accounting policy for management and performance fees is described in Note 2(m) to the financial report. All expenses are recognised on an accruals basis, with performance fees recognised in the financial report if the performance hurdles for the Company have been met at the end of the relevant measurement period, which is the date where certainty exists that the criteria have been met and the liability has been crystallised.

The quantum of these expenses and the impact that the volatility in the market can have on the recognition and payment of performance fees results in this being a key area of focus. The disclosure of these amounts is included in Note 15(b) to the financial report.

### How our audit addressed the key audit matter

We assessed the Company's performance fee eligibility calculations. We performed a recalculation of management and performance fees in accordance with contractual arrangements including agreeing the contract rate to the calculation. We assessed whether the data included in the calculation was appropriate and complete.



### 3. Income taxes - recognition and recoverability of deferred tax assets

#### Why significant

At 30 June 2017, the Company has recognised \$4.2 million of net deferred tax assets ("DTA") consisting of a deferred tax asset of \$6.2 million relating to brought forward tax losses and a \$2.0 million deferred tax liability on unrealised investment losses. The analysis of the recognition and recoverability of the deferred tax assets was significant to our audit because the amounts are material, the assessment process is judgmental and is based on assumptions that are affected by expected future market or economic conditions.

The Company recognises deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered as disclosed in note 7 to the financial report. The probability of recovery is impacted by uncertainties regarding the likely timing and level of future taxable profits.

#### How our audit addressed the key audit matter

We obtained an understanding of the income taxes process, and agreed the amounts in the income tax workings to underlying supporting information. We involved our tax specialists to assess the recognition of deferred tax balances based on local tax regulations.

We performed analysis of the recoverability of the deferred tax assets based on the estimated future taxable income, on which we performed sensitivity analyses and evaluated and tested the key assumptions.

We assessed the adequacy of the disclosures in Note 7 to the financial report and whether this was in accordance with Australian Accounting Standard - AASB 112 Income Taxes.

### 4. Dividend payment

#### Why significant

As at 30 June 2017, the Company had net assets of \$136.2 million which were lower than the contributed equity (share capital) of \$138.3 million. This was after the provision for dividend of \$7.7 million out of the Company's profit reserve. The amount of dividend paid or provided by the Company is disclosed in note 8 to the financial report.

Section 254T of the Corporations Act 2001 describes the circumstances under which a dividend may be paid. Part 2J.1 of the Corporations Act 2001 states the rules to be followed by a company for reduction in share capital.

Since the net assets of the Company are lower than the contributed equity, the Company is required to ascertain that the provision for dividend is in compliance with the requirements of the Corporations Act 2001 and is not a return of capital.

#### How our audit addressed the key audit matter

We reviewed legal advice obtained by the Company to assess the legality of the proposed dividend distribution under the Corporations Act 2001, with particular consideration given to the status of the dividend under the requirements of the Corporations Act 2001. We assessed the competence, independence and objectivity of the legal firm providing the advice.

### Information other than the financial report and auditor's report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Directors' responsibilities for the financial report

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

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

## Auditor's responsibilities for the audit of the financial report

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

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

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



- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## Report on the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included in section 13 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Westoz Investment Company Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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

Ernst & Young

Robert A Kirkby  
Partner  
Perth  
22 August 2017



## SHAREHOLDER INFORMATION

### ORDINARY SHARES AT 31 JULY 2017

#### A) DISTRIBUTION OF SHAREHOLDERS

Analysis of number of shareholders by size of holding:

| Issued Capital<br>Distribution of Holdings | Ordinary Shares |                    | Options      |                   |
|--|-----------------|--------------------|--------------|-------------------|
|  | Holders         | Holders            | Units        | Units             |
| 0-5000                                     | 362             | 872,234            | 1,173        | 1,699,790         |
| 5001-10000                                 | 261             | 2,165,148          | 129          | 959,605           |
| 10001-100000                               | 784             | 26,643,566         | 111          | 2,728,507         |
| 100000+                                    | 132             | 99,324,640         | 14           | 7,494,949         |
| <b>TOTAL Holders</b>                       | <b>1,539</b>    | <b>129,005,588</b> | <b>1,427</b> | <b>12,882,851</b> |

#### B) TOP HOLDERS

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

| No | Shareholder                   | Shares      | %      |
|----|-------------------------------|-------------|--------|
| 1  | ZERO NOMINEES PTY LTD         | 38,222,786  | 29.6%  |
| 2  | RBC INVESTOR SERVICES         | 9,094,021   | 7.0%   |
| 3  | ICE COLD INVESTMENTS PTY LTD  | 4,397,385   | 3.4%   |
| 4  | ICE COLD INVESTMENTS PTY LTD  | 3,733,154   | 2.9%   |
| 5  | HEYS FAMILY HOLDINGS PTY LTD  | 3,029,051   | 2.3%   |
| 7  | J P MORGAN NOMINEES AUSTRALIA | 2,884,424   | 1.9%   |
| 6  | MR VICTOR JOHN PLUMMER        | 2,500,000   | 2.2%   |
| 8  | HSBC CUSTODY NOMINEES         | 2,418,737   | 1.9%   |
| 9  | ROLLASON PTY LTD              | 1,619,027   | 1.3%   |
| 10 | SUPERLAND INVESTMENTS PTY LTD | 1,131,987   | 0.9%   |
| 11 | ICE COLD INVESTMENTS PTY LTD  | 1,120,000   | 0.9%   |
| 12 | BNP PARIBAS NOMINEES PTY LTD  | 878,570     | 0.7%   |
| 13 | REDBROOK NOMINEES PTY LTD     | 780,000     | 0.6%   |
| 14 | PERTH CAPITAL PTY LTD         | 750,000     | 0.6%   |
| 15 | WARRAMBOO HOLDINGS PTY LTD    | 750,000     | 0.6%   |
| 16 | INKESE PTY LTD                | 665,000     | 0.5%   |
| 17 | LYREBIRD PTY LTD              | 654,482     | 0.5%   |
| 18 | NAVIGATOR AUSTRALIA LTD       | 636,939     | 0.5%   |
| 19 | CAMELIA PTY LTD               | 629,957     | 0.5%   |
| 20 | TSIX PTY LTD                  | 600,000     | 0.5%   |
|    | Total                         | 76,495,520  | 59.3%  |
|    | Remainder                     | 52,510,068  | 40.7%  |
|    | Grand Total                   | 129,005,588 | 100.0% |

The twenty largest holders of options exercisable at \$1.05 cents per share, expiry date 31 August 2017 are listed below:

| No | Shareholder                   | Options    | %      |
|----|-------------------------------|------------|--------|
| 1  | ZERO NOMINEES PTY LTD         | 3,747,757  | 29.1%  |
| 2  | RBC INVESTOR SERVICES         | 877,820    | 6.8%   |
| 3  | ICE COLD INVESTMENTS PTY LTD  | 439,739    | 3.4%   |
| 4  | J P MORGAN NOMINEES AUSTRALIA | 380,561    | 3.0%   |
| 5  | ICE COLD INVESTMENTS PTY LTD  | 373,316    | 2.9%   |
| 7  | HEYS FAMILY HOLDINGS PTY LTD  | 302,906    | 2.4%   |
| 6  | ABN AMRO CLEARING SYDNEY      | 251,765    | 2.0%   |
| 8  | MR VICTOR JOHN PLUMMER        | 250,000    | 1.9%   |
| 9  | HSBC CUSTODY NOMINEES         | 197,962    | 1.5%   |
| 10 | MR FRANCIS IAN SIMONS         | 170,000    | 1.3%   |
| 11 | ROLLASON PTY LTD              | 161,903    | 1.3%   |
| 12 | BNP PARIBAS NOMINEES PTY LTD  | 119,302    | 0.9%   |
| 13 | ICE COLD INVESTMENTS PTY LTD  | 112,000    | 0.9%   |
| 14 | SUPERLAND INVESTMENTS PTY LTD | 109,918    | 0.9%   |
| 15 | REDBROOK NOMINEES PTY LTD     | 78,000     | 0.6%   |
| 16 | PERTH CAPITAL PTY LTD         | 75,000     | 0.6%   |
| 17 | WARRAMBOO HOLDINGS PTY LTD    | 75,000     | 0.6%   |
| 18 | TSIX PTY LTD                  | 70,000     | 0.5%   |
| 19 | LYREBIRD PTY LTD              | 65,449     | 0.5%   |
| 20 | NAVIGATOR AUSTRALIA LTD       | 63,178     | 0.5%   |
|    | Total                         | 7,921,576  | 61.5%  |
|    | Remainder                     | 4,961,275  | 38.5%  |
|    | Grand Total                   | 12,882,851 | 100.0% |

#### C) SHAREHOLDERS WITH GREATER THAN 5%

As at 31 July 2017 the company had 3 shareholders with greater than 5% of the issued ordinary share capital:

| Shareholder                   | Shares     | %     |
|-------------------------------|------------|-------|
| Euroz Limited                 | 33,938,064 | 26.3% |
| Geoffrey Francis Brown        | 8,930,850  | 6.9%  |
| Wilson Asset Management Group | 10,052,230 | 7.9%  |