

# 2017

## Annual Report



**OZGROWTH**  
LIMITED



CORPORATE DIRECTORY

REGISTERED OFFICE

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Website: www.ozgrowth.com.au

AUDITOR

**Ernst & Young**  
11 Mounts Bay Road  
PERTH WA 6000

BANKERS

**Westpac Banking Corporation**  
109 St Georges Terrace  
PERTH WA 6000

SHARE REGISTRY

**Computershare Investor Services Pty Ltd**  
Level 11  
172 St Georges Terrace  
PERTH WA 6000  
Telephone: 1300 787 575

BOARD OF DIRECTORS

**Jay Hughes**  
Non-Executive Chairman

**Michael Jefferies**  
Independent Non-Executive  
Director

**Simon Joyner**  
Independent Non-Executive  
Director

**Anthony Hewett**  
Company Secretary

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## Chairman's Report and the Period in Review



**On behalf of my fellow Directors, I am pleased to provide the 2017 Annual Report for the Company.**

### Significant results of the year include:

- A net profit after tax of \$7,669,999 was generated. This compares to a net profit after tax in the prior year of \$585,891;
- A final dividend of 0.25 cents per share has been provided for in respect of the 2017 financial year (2016: 0.25 cents). An interim dividend of 0.25 cents per share was paid in February 2017 (2016: 0.25 cents);
- Net assets of the Company are \$67,937,013 at 30 June 2017 (2016: \$62,473,965). This figure includes net deferred tax assets of \$2,156,930 (2016: \$4,938,685).
- Net assets per share was 19.0 cents per share at 30 June 2017 (2016 17.3 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 and portfolio of the Company, I refer you to the Investment Manager's Report on page 4.

The 2017 financial year saw equity markets generate healthy rates of returns, 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 19.4% for the year. Our long term return underlying portfolio return since inception of our investment strategy in January 2008 has averaged 7.0% per annum.

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

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

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 smaller stocks, along with a representation of resource stocks.

Our strategy has enabled us to pay in excess of \$36 million to shareholders by way of dividends since our inception in 2008.

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

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

Yours sincerely

**JAY HUGHES**  
Non-Executive Chairman

## About Ozgrowth

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Ozgrowth Limited is a listed investment company (ASX code: OZG) that focuses on producing a positive return on funds invested.

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It was formed on 9 July 2007 and raised its initial capital for investment in December 2007. As at 30 June 2017, it had \$66,689,660 of assets in its investment portfolio.

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The Company has appointed Westoz Funds Management Pty Ltd as manager to oversee the investment of its portfolio of assets. This manager is a wholly owned subsidiary of Euroz Limited, a listed company that also operates a stock-broking business based in Western Australia.

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The investment mandate set is to identify undervalued companies listed on the Australian Securities Exchange and to invest to produce a positive return. Because of the geographic location of the manager, it is anticipated that the majority of situations identified will have a connection to Western Australia and will have a market capitalisation of less than \$1,000 million.

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Ozgrowth Limited will consider investments in small companies, as well as suitable unlisted opportunities.

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The manager is paid a base fee of 1% per annum of funds managed. In addition, a performance fee is payable where performance exceeds 7% over a twelve month period to the 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 \$0.20.

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# Investment Manager's Report

## Portfolio Return

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

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

The last twelve months of investment activity generated an investment return of 19.4% before allowance for fees and taxes (2016: 2.6%).

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.

At 30 June 2017, the net assets per share was 19.0 cents (2016: 17.3 cents).

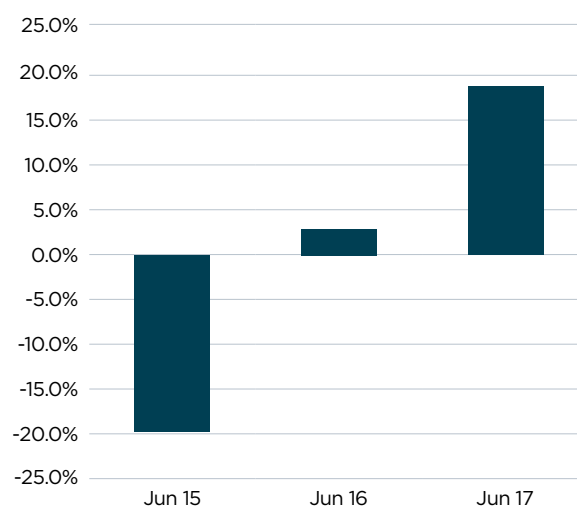
At 30 June 2017, a provision for payment of 0.25 cent per share by way of dividend was made. This dividend is expected to be paid in August 2017. At 30 June 2016 provision for a 0.25 cent per share dividend was made, with payment made in August 2016.

## Asset Allocation

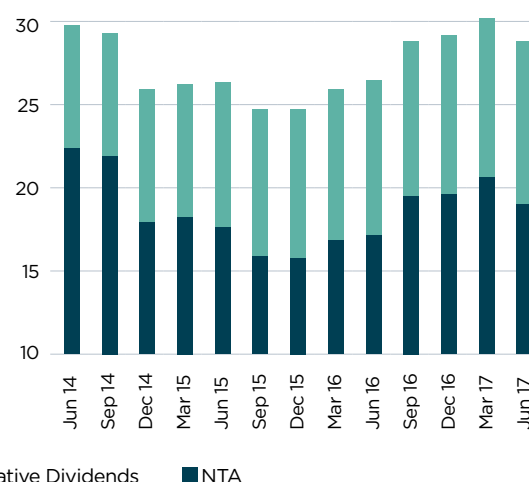
Cash levels increased over the 2017 financial year, from a low point of 2% at the end of the September 2016 quarter. Resources exposure remains the largest allocation, closing the year at 50% of total assets.

At year end, investments were held in 29 separate companies. One of these holdings was unlisted at 30 June 2017.

## Portfolio Performance

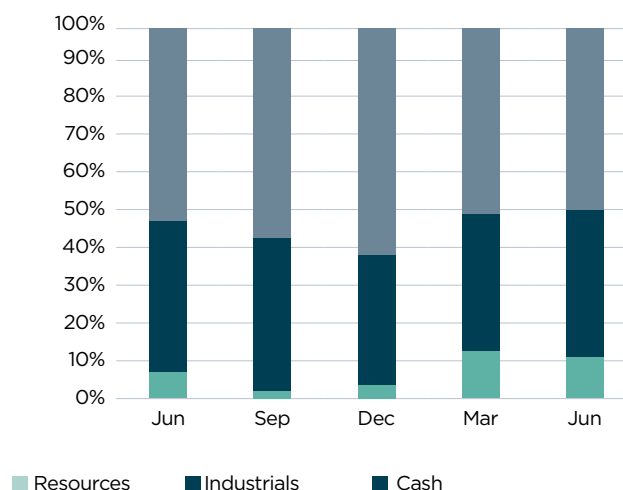


## Net Assets and Dividends



■ Cumulative Dividends ■ NTA

## Investment Mix



■ Resources ■ Industrials ■ Cash

## Investment Manager's Report

Investment Portfolio					
Industrials	Number of Shares	Fair value at 30 June 2017	Resources	Number of Shares	Fair value at 30 June 2017
Austal Limited	1,387,000	2,538,210	Australis Oil & Gas Limited	17,000,000	3,910,000
Australian Finance Group Ltd	971,781	1,248,739	Beach Energy Limited	5,330,000	3,064,750
Cedar Woods Properties Limited	1,659,228	8,644,578	Boss Resources Limited	15,000,000	705,000
Decmil Group Limited	1,665,000	1,548,450	Cooper Energy Limited	18,000,000	6,660,000
Finbar Group Limited	700,000	556,500	Emerald Resources NL	88,888,888	3,288,889
IMF Bentham Limited	645,000	1,212,600	Energia Minerals Limited	54,327,344	651,928
MACA Limited	1,250,000	2,062,500	Equatorial Resources Limited	8,000,000	3,080,000
Moboom Limited	1,102,916	110,292	Finders Resources Limited	3,080,000	523,600
NRW Holdings Limited	4,250,000	2,720,000	Mount Gibson Iron Limited	6,000,000	1,950,000
Rent.Com.Au Limited	6,000,000	378,000	Neometals Ltd	5,000,000	1,350,000
Seafarms Group Limited	26,000,000	1,586,000	OreCorp Limited	5,500,000	2,090,000
Southern Cross Electrical Engineering Ltd	550,000	308,000	Red Hill Iron Limited	1,885,714	1,188,000
SRG Limited	620,000	768,800	Sandfire Resources NL	300,000	1,695,000
Swick Mining Services Ltd	2,471,540	580,812	Western Areas Limited	1,450,000	3,045,000
Zenith Energy Limited	4,188,427	2,094,212			
		<b>26,357,693</b>			<b>33,202,167</b>
			<b>Cash, net of outstanding settlements</b>		<b>7,129,800</b>
			<b>Total</b>		<b>66,689,660</b>

### Outlook

Despite some headwinds, particularly for the Western Australian economy, the 2017 financial year saw a strong return on our portfolio. Resource related positions provide the majority of the impetus, including several industrial positions we held that benefited from better commodity price outlook.

Looking forward, some confidence regarding global growth prospects has provided the impetus for recent gains, but attractive valuations are again becoming more difficult to identify. Hence, our cash positions have been rebuilt to take advantage of opportunities as they arise.



# 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

Michael Jefferies

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 Westoz Investment Company Limited (appointed 11 March 2005). 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 Michael Jefferies, Independent Non-Executive Director

Mr Jefferies is a Non-Executive Director of the Company and serves on the Company's Audit Committee. He is a Non-Executive Director of Afterpay Touch Group Limited having been Chairman of Touchcorp Holdings Limited (appointed 28 June 2004) prior to its merger with Afterpay Holdings Limited, a Non-Executive Director of Homeloans Limited (appointed November 2016) following its merger with Resimac Limited (Non-Executive Director appointed 1 April 2014), a Non-Executive Chairman of Pantoro Limited and was formerly a Non-Executive Director of Afterpay Holdings Limited (appointed 26 August 2015, resigned 6 April 2017), Tower Limited (appointed 19 December 2006, resigned 5 February 2014), Capral Limited (appointed 6 November 2008, resigned 15 April 2013), ClearView Wealth Limited (appointed 4 November 2008, resigned 11 October 2012) and Metals X Limited (appointed 14 June 2004, resigned 10 May 2012). Mr Jefferies is a Chartered Accountant and holds a Bachelor of Commerce Degree.

#### 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 Westoz Investment Company 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.

### 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 number of meetings attended by each Director were as follows:

	Directors' Meetings Held During Period of Appointment	Directors' Meetings Attended During Period of Appointment	Audit Committee Meetings Held During Period of Appointment	Audit Committee Meetings Attended During Period of Appointment
Philip Rees	-	-	-	-
Dermot Woods	-	-	-	-
Stephen Tucker	1	1	1	1
Jay Hughes	8	8	2	2
Simon Joyner	8	8	2	2
Michael Jefferies	8	7	2	2



# Directors' Report

## 2. Directors' meetings (continued)

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

## 4. Operating results

For the year ended 30 June 2017, the Company made an operating profit after tax of \$7,669,999 (2016: profit of \$585,891).

## 5. Dividends

An interim dividend of \$895,288 (0.25 cents per share) was paid on 20 February 2017 (2016: \$902,500).

The Board of Directors has recommended that a final dividend of \$892,676 (0.25 cents per share) be paid in respect of the 2017 financial year. This amount is provided in the 30 June 2017 financial statements (2016: \$898,879).

## 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 Securities 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.

For further information on the Company's operations, a Chairman's Report and Investment Manager's Report is included on pages 2 to 5 of this Annual Financial Report. This, together with the sections headed "Significant Changes in State of Affairs" and "Events Subsequent to Balance Date", provide a review of operations of the Company during the period and subsequent to reporting date.

## 7. Significant changes in state of affairs

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

## 8. Significant events after the balance date

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

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

## 9. Likely developments and future results

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

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

## 10. Directors' interests

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

Director	Ordinary Shares	Options
Simon Joyner Held Directly or Indirectly	1,345,353	60,000
Jay Hughes Held Directly or Indirectly	3,550,000	310,000
Michael Jefferies Held Directly or Indirectly	500,000	50,000

## 11. Share options

During the period, 36,054,213 options with an exercise price of \$0.18 expired unexercised on 31 August 2016. 2,664 of the options were exercised during the period.

As at the date of this report the Company has 35,878,202 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 35,878,202 new ordinary shares in the Company that rank equally with other ordinary shares by the payment of 18.0 cents per option at any time up until expiry date of 31 August 2017. 7,402 of these options were exercised during the period.

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.

## Directors' Report

### 12. Indemnification and insurance of directors and officers

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

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

### 13. Remuneration report (Audited)

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

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

Jay Hughes	Chairman (Non-Executive)	Appointed 9 July 2007
Simon Joyner	Director (Non-Executive)	Appointed 5 July 2016
Stephen Tucker	Director (Non-Executive)	Appointed 3 June 2014 <i>Resigned 9 September 2016</i>
Michael Jefferies	Director (Non-Executive)	Appointed 31 October 2007
Philip Rees	Executive Director	Appointed 31 October 2007 <i>Resigned 5 July 2016</i>
Dermot Woods	Director (Non-Executive)	Appointed 5 November 2013 <i>Resigned 5 July 2016</i>

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

## Directors' Report

### 13. Remuneration Report (Audited) (continued)

The share and option holdings of KMP as 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		
	Shares	Aug 2016 \$0.18 Options	Shares <sup>1</sup>	Aug 2016 \$0.18 Options	Aug 2017 \$0.18 Options <sup>2</sup>	Shares	Aug 2016 \$0.18 Options <sup>2</sup>	Aug 2017 \$0.18 Options <sup>2</sup>
Jay Hughes Held Directly or indirectly	3,000,000	105,044	550,000	(105,044)	310,000	3,550,000	-	310,000
Simon Joyner Held Directly or indirectly	600,000	60,000	745,353	(60,000)	60,000	1,345,353	-	60,000
Michael Jefferies Held Directly or indirectly	500,000	50,000	-	(50,000)	50,000	500,000	-	50,000
Philip Rees Held Directly or indirectly	1,161,314	113,361	-	-	-	1,161,314	113,361	-
Dermot Woods Held Directly or indirectly	1,141,547	113,662	-	-	-	1,141,547	113,662	-
Stephen Tucker Held Directly or indirectly	116,131	11,366	1,979	(11,366)	-	118,110	-	-

<sup>1</sup> Net Change in Shares reflects on market purchases in the case of Mr Hughes and Mr Joyner and participation in DRP for Mr Tucker.

<sup>2</sup> Unexercised Aug 2016 \$0.18 options expired on 31 August 2016. The Aug 2017 \$0.18 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 as at 30 June 2016 are as follows:

As at 30 June 2016	Balance 1 July 2015		Net Change			Balance 30 June 2016	
	Shares	\$0.225 Options	Shares <sup>1</sup>	\$0.225 Options	\$0.18 Options <sup>2</sup>	Shares	\$0.18 Options <sup>2</sup>
Philip Rees Held Directly or indirectly	1,082,030	100,000	79,284	(100,000)	113,361	1,161,314	113,361
Jay Hughes Held Directly or indirectly	1,000,000	100,000	2,000,000	(100,000)	105,044	3,000,000	105,044
Dermot Woods Held Directly or indirectly	1,082,030	100,000	59,517	(100,000)	113,662	1,141,547	113,662
Stephen Tucker Held Directly or indirectly	108,203	10,000	7,928	(10,000)	11,366	116,131	11,366
Michael Jefferies Held Directly or indirectly	500,000	50,000	-	(50,000)	50,000	500,000	50,000

<sup>1</sup> Net Change in Shares reflects on market purchases in the case of Mr Hughes and participation in Dividend Reinvestment Plan for Messrs Rees, Woods and Tucker.

<sup>2</sup> Unexercised \$0.225 options expired on 31 August 2015. The Aug 2016 \$0.18 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.

## Directors' Report

### 13. Remuneration Report (Audited) (continued)

A Director's services may be terminated by them at any time and otherwise by shareholder vote. Details of remuneration for the years ended 30 June 2017 and 30 June 2016 is as follows:

		Short-term Fee	Post-employment Superannuation	Total
		\$	\$	\$
S Tucker	2017	12,750	1,212	13,962
	2016	51,001	4,845	55,846
S Joyner	2017	50,429	4,790	55,219
	2016	-	-	-
M Jefferies	2017	50,422	4,790	55,212
	2016	50,538	4,800	55,338

The elements of emoluments have been determined on the basis of the cost to the Company. Emoluments of Directors are not directly related to the performance of the Company. The maximum remuneration paid to Directors' is currently set to not exceed \$250,000 per annum.

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

Westoz Funds Management Pty Ltd, a company of which Messrs Rees, Woods, Tucker and Hughes are Directors provides Key Management Personnel ("KMP") services to Ozgrowth Limited as it has the authority for the management of the investment portfolio of Ozgrowth Limited. Westoz Funds Management Pty Ltd received management fees from the Company for the management of its assets. Total management fees (inclusive of performance fees where applicable) of \$700,949 (2016: \$552,624) was charged in the period for these services. No performance fee in respect of the 2017 year was accrued in the period (2016: nil). There was \$61,160 (2016: \$53,570) accrued for management fees payable as at 30 June 2017.

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

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

Euroz Securities Limited, a company of which Mr Hughes is a Director received brokerage fees for transactions undertaken by the Company in respect of its investments. An amount of \$284,120 (2016: \$284,091) was paid in the year as brokerage to Euroz Securities Limited. \$1,259 of this brokerage was outstanding as at 30 June 2017 (2016: \$1,076).

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	EPS cents	Share price at balance date cents
Jun-13	0.0	16.5
Jun-14	3.0	21.0
Jun-15	-3.4	16.0
Jun-16	0.2	13.5
Jun-17	2.1	16.0

There are no long term incentives payable.

#### END OF REMUNERATION REPORT

## Directors' Report

### 14. Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Ozgrowth Limited support and have adopted a corporate governance plan. Details of the Corporate Governance Practices can be found at [Ozgrowth.com.au](http://Ozgrowth.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.

### 16. Auditor independence

The auditor's independence declaration under section 307C of the Corporations Act 2001 is included on page 12 and forms part of Ozgrowth Limited's report for the year ended 30 June 2017.

### 17. Non-audit services

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

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

	\$
Tax compliance services	13,078

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

## Auditor's Independence Declaration



Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843

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

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

As lead auditor for the audit of Ozgrowth 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	2017 \$	2016 \$
<b>Revenue</b>			
Interest revenue		53,758	159,789
Dividend revenue		1,359,237	1,606,343
Other		16,750	-
<b>Total revenue</b>		<b>1,429,745</b>	<b>1,766,132</b>
Changes in the fair value of investments designated at fair value through profit or loss upon initial recognition	4	10,033,970	(687,834)
		<b>11,463,715</b>	<b>1,078,298</b>
<b>Expenses</b>			
Management fees	15(b)	700,949	552,624
Director fees		124,392	111,155
Professional fees		78,845	93,781
ASX fees		42,843	43,433
Other expenses	6	64,932	62,174
<b>Total expenses</b>		<b>1,011,961</b>	<b>863,167</b>
<b>Profit before income tax expense</b>		<b>10,451,754</b>	<b>215,131</b>
Income tax (expense)/benefit	7	(2,781,755)	370,760
<b>Net profit attributable to members of the Company</b>		<b>7,669,999</b>	<b>585,891</b>
<i>Other comprehensive income</i>		-	-
<b>Total comprehensive profit for the period</b>		<b>7,669,999</b>	<b>585,891</b>
<b>Earnings per share (cents)</b>			
- Basic and diluted	16	2.1	0.2

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	2017 \$	2016 \$
<b>Current assets</b>			
Cash and cash equivalents	19(a)	7,527,158	4,318,635
Other	9	28,744	22,795
<b>Total current assets</b>		<b>7,555,902</b>	<b>4,341,430</b>
<b>Non-current assets</b>			
Investments in financial assets designated as at fair value through profit or loss:			
- Listed equities	5	59,449,569	53,726,224
- Unlisted equities	5	110,291	770,583
Deferred tax assets	7	2,156,930	4,938,685
<b>Total non-current assets</b>		<b>61,716,790</b>	<b>59,435,492</b>
<b>Total assets</b>		<b>69,272,692</b>	<b>63,776,922</b>
<b>Current liabilities</b>			
Trade and other payables	10	443,003	404,078
Dividend payable	8	892,676	898,879
<b>Total current liabilities</b>		<b>1,335,679</b>	<b>1,302,957</b>
<b>Total liabilities</b>		<b>1,335,679</b>	<b>1,302,957</b>
<b>Net assets</b>		<b>67,937,013</b>	<b>62,473,965</b>
<b>Equity</b>			
Contributed equity	11	72,945,566	73,365,077
Profit reserve	12	12,757,967	5,808,297
Accumulated loss	13	(17,766,520)	(16,699,409)
<b>Total Equity</b>		<b>67,937,013</b>	<b>62,473,965</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	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Interest received		53,758	159,790
Dividends received		1,359,237	1,606,343
Payments to suppliers and employees (inclusive of GST)		(1,002,471)	(857,079)
<b>Net cash flows from operating activities</b>	19(b)	<b>410,524</b>	<b>909,054</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments designated as at fair value through profit or loss		55,964,893	37,279,226
Payments for purchases of investments designated as at fair value through profit or loss		(50,953,740)	(43,941,516)
<b>Net cash flow (used in)/from investing activities</b>		<b>5,011,153</b>	<b>(6,662,290)</b>
<b>Cash flows from financing activities</b>			
(Costs)/proceeds from issue of ordinary shares		(21,352)	(15,628)
Share buyback		(398,160)	(193,358)
Dividends paid		(1,793,642)	(3,609,980)
<b>Net cash flows (used in) financing activities</b>		<b>(2,213,154)</b>	<b>(3,818,966)</b>
<b>Net increase/(decrease) in cash held</b>		<b>3,208,523</b>	<b>(9,572,202)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>4,318,635</b>	<b>13,890,837</b>
<b>Cash and cash equivalents at the end of the period</b>	19(a)	<b>7,527,158</b>	<b>4,318,635</b>

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

## Statement of Changes in Equity

### For the Year Ended 30 June 2017

2017	Contributed Equity \$	Profit Reserve \$	Accumulated Loss \$	Total Equity \$
At 1 July 2016	73,365,077	5,808,297	(16,699,409)	62,473,965
Profit for the period	-	-	7,669,999	7,669,999
Total Comprehensive income for the period	-	-	7,669,999	7,669,999
Transfer from Retained earnings to Profit Reserve	-	8,737,110	(8,737,110)	-
Transactions with owners in their capacity as owners:				
Issued Capital	(21,351)	-	-	(21,351)
Share buyback costs	(398,160)	-	-	(398,160)
Dividends for the year	-	(1,787,440)	-	(1,787,440)
At 30 June 2017	72,945,566	12,757,967	(17,766,520)	67,937,013

### For the Year Ended 30 June 2016

2016	Contributed Equity \$	Profit Reserve \$	Accumulated Loss \$	Total Equity \$
At 1 July 2015	73,574,064	7,609,676	(17,285,300)	63,898,440
Profit for the period	-	-	585,891	585,891
Total Comprehensive income for the period	-	-	585,891	585,891
Transactions with owners in their capacity as owners:				
Issued Capital	(16,629)	-	-	(16,629)
Share buyback costs	(193,358)	-	-	(193,358)
Dividends for the year	-	(1,801,379)	-	(1,801,379)
At 30 June 2016	73,365,077	5,808,297	(16,699,409)	62,473,965

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 Ozgrowth Limited for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 22 August 2017.

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

Ozgrowth Limited does not control any entities at 30 June 2017.

The Company had no 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 accounting policies adopted are consistent with those of the prior years 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.

Compliance with IFRS

The financial report also complies with International Financial reporting Standards (IFRS) as issued by the International Accounting Standards Board.

# Notes to the Financial Statements

## 2. Summary of significant accounting policies (continued)

### (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

# Notes to the Financial Statements

## 2. Summary of significant accounting policies (continued)

Reference	Title	Summary of the new standard or amendment	Impact on Company	Application date of standard	Application date for the Company
AASB 15, and relevant amending standards	<i>Revenue from Contracts with Customers</i>	<p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards 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	<i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]</i>	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
2016-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	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 Income Taxes 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

# Notes to the Financial Statements

## 2. Summary of significant accounting policies (continued)

### (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 and financial liabilities 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.

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.

### (e) 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.

### (f) Income tax

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

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

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary 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.



# Notes to the Financial Statements

## 2. Summary of significant accounting policies (continued)

### (f) Income tax (continued)

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

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

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

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

### (g) 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.

### (h) 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.

### (i) Trade and other payables

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid on goods and services received. They 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.

### (j) 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.

### (k) Earnings Per Share

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

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.

### (l) Trade and other receivables

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

### (m) 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.

### (n) 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.

### (o) 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.

# Notes to the Financial Statements

## 2. Summary of significant accounting policies (continued)

### (p) 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 Ozgrowth 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 Ozgrowth 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 designated as at fair value through profit or loss

	2017	2016
	\$	\$
Net realised gain/(loss) on disposal of investments	4,954,770	(3,861,078)
Net unrealised gain on investments	5,079,200	3,173,244
	<b>10,033,970</b>	<b>(687,834)</b>

The total number of contract notes that were issued for transactions during the financial year was 491 (2016: 726). The total brokerage paid on these contract notes was \$292,493 (2016: \$296,732).

## Notes to the Financial Statements

### 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 at fair value through profit or loss</b>				
(i) Listed equities	59,449,569	-	-	59,449,569
(ii) Unlisted Equities <sup>1</sup>	-	-	110,291	110,291
	<b>59,449,569</b>	<b>-</b>	<b>110,291</b>	<b>59,559,860</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	53,726,224	-	-	53,726,224
(ii) Unlisted Equities <sup>1</sup>	-	-	770,583	770,583
	<b>53,726,224</b>	<b>-</b>	<b>770,583</b>	<b>54,496,807</b>

<sup>1</sup> Unlisted equities of \$550,000 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 method 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.

## Notes to the Financial Statements

### 6. Other expenses

	2017	2016
	\$	\$
<b>Expenses</b>		
Marketing	5,824	5,309
Share Registry Costs	41,954	38,153
Other	17,154	18,712
	<b>64,932</b>	<b>62,174</b>

### 7. Income tax

The major components of income tax expense are:

#### Statement of comprehensive income

##### Current Income Tax

- Current income tax charge

##### Deferred income tax

- Relating to origination and reversal of temporary differences

<b>Income tax expense/(benefit) reported in statement of comprehensive income</b>	<b>2,781,755</b>	<b>(370,760)</b>
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A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable tax rate is as follows:

Accounting profit before tax	10,451,754	215,131
Tax at the statutory income tax rate of 30% (2016: 30%)	3,135,526	64,359
Tax effect of franking credits	(353,771)	(435,119)
<b>Income tax (benefit)/expense</b>	<b>2,781,755</b>	<b>(370,760)</b>

#### 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
	\$	\$	\$	\$
<b>Deferred Tax Assets</b>				
Tax loss recognised/(utilised)	3,534,182	4,792,178	1,257,996	(1,322,733)
Unrealised loss on investments in financial assets	-	146,507	146,507	951,973
<b>Total DTA</b>	<b>3,534,182</b>	<b>4,938,685</b>	<b>1,404,503</b>	<b>370,760</b>
<b>Deferred Tax Liabilities</b>				
Unrealised gain on investments in financial assets	(1,377,252)	-	1,377,252	-
<b>Total DTL</b>	<b>(1,377,252)</b>	<b>-</b>	<b>1,377,252</b>	<b>-</b>
<b>Net DTA</b>	<b>2,156,930</b>	<b>4,938,685</b>	<b>2,781,755</b>	<b>370,760</b>

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

## Notes to the Financial Statements

### 8. Dividends paid or provided for on ordinary shares

	2017 \$	2016 \$
<b>Ordinary Shares</b>		
Interim dividend of 0.25 cents per share paid on 20 February 2017 (2016: 0.25 cents per share)	895,288	902,500
Final dividend of 0.25 cents per share declared and provided for at 30 June 2017 (2016: 0.25 cents per share per fully paid ordinary share). Fully franked based on tax paid or payable at 30%)	892,676	898,879
	<b>1,787,964</b>	<b>1,801,379</b>
<b>Franking Credit Balance</b>		
Franking credits available at the end of the financial year at 30% (2016: 30%)	716,386	979,931
Franking debits that will arise by the payment of dividends as at the end of the financial year	(382,575)	(385,234)
	<b>333,811</b>	<b>594,697</b>

### 9. Other current assets

	2017 \$	2016 \$
GST Receivable	28,744	22,795
	<b>28,744</b>	<b>22,795</b>

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

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

### 10. Trade and other payables

	2017 \$	2016 \$
Trade Payables	123,076	124,388
Outstanding purchase settlements	319,927	279,690
	<b>443,003</b>	<b>404,078</b>

Total trade payables are non-interest bearing and normally settled on 30 day terms. Purchase settlements are normally settled on 2 day terms.

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

# Notes to the Financial Statements

## 11. Contributed equity

	2017	2016
	\$	\$
<b>(a) Contributed Equity</b>		
357,057,040 fully paid ordinary shares (2016: 359,551,470)	72,945,566	73,365,077

	2017		2016	
	Number of shares	\$	Number of shares	\$
<b>(b) Movements in ordinary shares on Issue</b>				
Beginning of the financial period	359,551,470	73,365,077	360,997,266	73,574,064
- Option Exercise	10,066	1,813	3,550	639
- Share Buyback	(2,504,496)	(398,160)	(1,449,346)	(193,358)
Less Issue Costs	-	(23,164)	-	(16,268)
	<b>357,057,040</b>	<b>72,945,566</b>	<b>359,551,470</b>	<b>73,365,077</b>

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

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

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

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

### (d) Options

During the period, 36,054,213 options with an exercise price of \$0.18 expired unexercised on 31 August 2016. 2,664 of these options were exercised during the period.

At balance date there were 35,878,202 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 35,877,467 new ordinary shares in the Company that rank equally with other ordinary shares by the payment of 18.0 cents per option at any time up until expiry date of 31 August 2017. 7,402 of these options were exercised during the period.

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.

## Notes to the Financial Statements

### 12. Reserves

	2017	2016
	\$	\$
Profit Reserve	12,757,967	5,808,297
	<b>12,757,967</b>	<b>5,808,297</b>

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	5,809,297	7,609,676
Transferred In from Retained Earnings (a)	8,737,110	-
Dividend Paid	(1,787,440)	(1,801,379)
	<b>12,757,967</b>	<b>5,808,297</b>

(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

	2017	2016
	\$	\$
Balance at beginning of the year	(16,699,409)	(17,285,300)
Transferred to Profit Reserve	(8,737,110)	-
Profit for the year attributable to members	7,669,999	585,891
	<b>(17,766,520)</b>	<b>(16,699,409)</b>

### 14. Auditors' remuneration

	2017	2016
	\$	\$
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	13,078	14,300
	<b>67,228</b>	<b>66,950</b>



## Notes to the Financial Statements

### 15. Related party disclosures

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

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

Mr Jefferies, Mr Joyner and Mr Tucker (resigned 9 September 2016) are the only paid Directors of the Company. The total remuneration payable for the financial year is \$124,393 (2016: \$111,184) of which \$113,601 was a short term benefit (2016: \$101,539) and \$10,792 was post-employment benefit (2016:\$9,645).

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

The Directors of Ozgrowth Limited during the year or part thereof were Mr Simon Joyner, Mr Philip Rees (resigned 5 July 2016), Mr Jay Hughes, Mr Dermot Woods (resigned 5 July 2016), Mr Stephen Tucker (resigned 9 September 2016) and Mr Michael Jefferies.

Westoz Funds Management Pty Ltd, a company of which Messrs Rees, Woods and Hughes are Directors is considered to be providing Key Management Personnel ("KMP") services as it has the authority for the management of the investment portfolio of Ozgrowth 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 \$700,949 (2016: \$552,624) was charged in the period for these services. No performance fee was accrued in respect of the 2017 financial year (2016: nil). There was \$61,160 (2016: \$53,750) accrued for management fees payable as at 30 June 2017.

These fees were charged in accordance with a management agreement. Management fee is calculated at 1% per annum of funds managed. Performance fee is payable where performance exceeds 7% over a twelve month period to end of June and is calculated at 20% of the performance exceeding the threshold. 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 \$0.20.

No amount is paid by Ozgrowth 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 \$284,120 (2016: \$284,091) was paid in the year as brokerage to Euroz Securities Limited. \$1,259 of this brokerage was outstanding as at 30 June 2017 (2016: \$1,076). 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*

Ozgrowth Limited is the ultimate Australian parent company.

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

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

## Notes to the Financial Statements

### 16. Earnings per share

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

The Company has no dilutive securities on issue.

	2017 \$	2016 \$
Net profit attributable to ordinary equity holders of the Company used in calculating basic earnings per share	7,669,999	585,891
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share	357,374,615	360,892,692
Basic and diluted earnings per share (cents)	2.1	0.2

The Company has on issue 35,877,467 options. These options are exercisable into 35,877,467 new ordinary shares that rank equally with other ordinary shares by the payment of 18.0 cents 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 has 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 as at 30 June 2017 (2016: \$nil).

## Notes to the Financial Statements

### 19. Notes to the statements of cash flow

#### (a) Reconciliation of Cash

For the purpose of the annual report, cash and cash equivalents are expressed as follows:

	2017	2016
	\$	\$
Cash at Bank and in hand	7,527,158	4,318,635
	<b>7,527,158</b>	<b>4,318,635</b>

Cash at bank and in hand earns interest at floating rates based on daily deposit rates.

The fair value of cash and cash equivalents is \$7,527,158 (2016: \$4,318,635). Of the total cash and cash equivalents held at 30 June 2017, \$7,129,800 was held in the investment portfolio. The balance of the cash amount shown in the portfolio represents net settlements outstanding and cash required for operational purposes.

#### (b) Reconciliation from the Net Profit after Income Tax to Net Cash flows Generated from Operating Activities

	2017	2016
	\$	\$
Net profit after tax	7,669,999	585,891
<b>Adjustment for Non-Cash Items:</b>		
Items classified as Investing		
Unrealised (profit)/loss on shares	(5,079,199)	(3,173,244)
Realised (profit)/loss on shares	(4,954,770)	3,861,078
<b>Changes in Assets and Liabilities:</b>		
Increase/(Decrease) in trade and other payables	(1,311)	8,603
Decrease/(Increase) in other assets	(5,950)	(2,514)
(Decrease)/Increase in deferred tax balances	2,781,755	(370,760)
<b>Net Cash generated from Operating Activities</b>	<b>410,524</b>	<b>909,054</b>

#### (c) Financing Facilities Available

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

## Notes to the Financial Statements

### 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 2017 (2016: Nil).

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

#### *Liquidity Risk*

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

#### *Maturity Analysis for Financial Liabilities*

Financial liabilities of the Company comprise trade, other payables and distribution payable, which contractually mature within 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 balances and other current receivables in relation to outstanding sale settlements. Cash deposits were held on an at call basis and term deposits have nominated maturity dates not greater than three months forward with an institution covered under the Banking Act 1959 with a rating from Standard & Poors of AA- (long term) and A-1+ (short term). 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.

#### *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 usually consists of between 10 and 25 securities, although more or less may be held depending on the number of securities identified that are expected to meet the performance expectations;
- Where suitable stocks cannot be identified, the portfolio may invest in cash. Whilst unlikely over the medium term, the portfolio may consist from time to time of significant cash deposits;
- Any short positions will not represent more than 20% of the total portfolio value; and
- Leverage may be employed in the Portfolio, but total exposure will not exceed 120% of the portfolio value.

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

## Notes to the Financial Statements

### 20. Financial risk management objectives and policies (continued)

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

Investment Portfolio					
Industrials	Number of Shares	Fair value at 30 June 2017	Resources	Number of Shares	Fair value at 30 June 2017
Austal Limited	1,387,000	2,538,210	Australis Oil & Gas Limited	17,000,000	3,910,000
Australian Finance Group Ltd	971,781	1,248,739	Beach Energy Limited	5,330,000	3,064,750
Cedar Woods Properties Limited	1,659,228	8,644,578	Boss Resources Limited	15,000,000	705,000
Decmil Group Limited	1,665,000	1,548,450	Cooper Energy Limited	18,000,000	6,660,000
Finbar Group Limited	700,000	556,500	Emerald Resources NL	88,888,888	3,288,889
IMF Bentham Limited	645,000	1,212,600	Energia Minerals Limited	54,327,344	651,928
MACA Limited	1,250,000	2,062,500	Equatorial Resources Limited	8,000,000	3,080,000
Moboom Limited	1,102,916	110,292	Finders Resources Limited	3,080,000	523,600
NRW Holdings Limited	4,250,000	2,720,000	Mount Gibson Iron Limited	6,000,000	1,950,000
Rent.Com.Au Limited	6,000,000	378,000	Neometals Ltd	5,000,000	1,350,000
Seafarms Group Limited	26,000,000	1,586,000	OreCorp Limited	5,500,000	2,090,000
Southern Cross Electrical Engineering Ltd	550,000	308,000	Red Hill Iron Limited	1,885,714	1,188,000
SRG Limited	620,000	768,800	Sandfire Resources NL	300,000	1,695,000
Swick Mining Services Ltd	2,471,540	580,812	Western Areas Limited	1,450,000	3,045,000
Zenith Energy Limited	4,188,427	2,094,212			
		<b>23,357,693</b>			<b>33,202,167</b>
			<b>Cash, net of outstanding settlements</b>		<b>7,129,800</b>
			<b>Total</b>		<b>66,689,660</b>

#### Interest Rate Risk

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

The Company's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash and short term deposits, which have variable interest rates. The total cash balance at 30 June 2017 was \$7,527,158 (2016: \$4,318,635). 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 \$7,527,158 (2016: \$4,318,635) were held at call. No term deposits with maturities of more than three months (2016: \$nil) were held. No interest was recorded as receivable (2016: \$nil).

## Notes to the Financial Statements

### 20. Financial risk management objectives and policies (continued)

The following table demonstrates the sensitivity of the Company's Statement of Comprehensive Income to a reasonably possible change in interest rates, with all other variables constant. The change in basis points is derived from a review of historical movements and management's judgement of future trends. The analysis is performed on the same basis for 2016.

2017				2017	
Change in Basis Points		Effect on Pre Tax Profit		Effect on Equity including retained earnings	
		\$		\$	
Increase	Decrease	Increase	Decrease	Increase	Decrease
50	50	37,500	(37,500)	26,250	(26,250)

2016				2016	
Change in Basis Points		Effect on Pre Tax Profit		Effect on Equity including retained earnings	
		\$		\$	
Increase	Decrease	Increase	Decrease	Increase	Decrease
50	50	21,500	(21,500)	15,050	(15,050)

#### Equity Price Risk

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

The effect on the statement of comprehensive income due to a reasonably possible change in market factors, as represented by the equity indices, with all other factors held constant is indicated in the table below. The change in index level is derived from a review of historical movements. The analysis is performed on the same basis for 2016.

2017			2017
Index	Change in Index	Effect on Pre Tax Profit	Effect on Equity including retained earnings
			\$
ASX Small Ordinaries Index	Increase 10%/ (Decrease 10%)	5,950,000/(5,950,000)	4,165,000/(4,165,000)

2016			2016
Index	Change in Index	Effect on Pre Tax Profit	Effect on Equity including retained earnings
			\$
ASX Small Ordinaries Index	Increase 10%/ (Decrease 10%)	5,373,000/(5,373,000)	3,761,100/(3,761,100)

## Directors' Declaration

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

1. In the opinion of the Directors:
  - (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's financial position as at 30 June 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 ended 30 June 2017.

On behalf of the Board



Jay Hughes  
Non-Executive Chairman

Dated: 22 August 2017



# Independent Auditor's Report



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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ozgrowth Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Ozgrowth 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 Ozgrowth Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 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.

# Independent Auditor's Report



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 \$59.6 million, which equates to 86% 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 material 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 of the Company.

As at 30 June 2017, management and performance fees totalled \$0.70 million which equates to 69 % 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.

No performance fee expense was incurred for the financial year due to not meeting the criteria.

### 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.

# Independent Auditor's Report



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

### Why significant

At 30 June 2017, the Company has recognised \$2.1 million of net deferred tax assets ("DTA") consisting of a deferred tax asset of \$3.5 million relating to brought forward tax losses and a \$1.4 million deferred tax liability on unrealised investment gains. 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 \$67.9 million which were lower than the contributed equity (share capital) of \$72.9 million. This was after the provision for dividend of \$1.8 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.

## Independent Auditor's Report



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.

## Independent Auditor's Report



- 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 Ozgrowth 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:

	Ordinary Shares		Options	
	Holders	Holders	Units	Units
<b>Issued Capital</b>				
<b>Distribution of Holdings</b>				
0-5,000	71	158,001	420	866,154
5,001-10,000	75	634,996	126	1,022,186
10,001-100,000	387	17,725,780	206	6,426,916
100,000+	237	338,538,263	35	27,562,211
<b>Total Holders</b>	<b>770</b>	<b>357,057,040</b>	<b>787</b>	<b>35,877,467</b>

#### (b) Top Holders

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

No	Shareholder	Shares	%
1	ZERO NOMINEES PTY LTD	145,136,878	40.6%
2	CAPE BOUVARD EQUITIES PTY LTD	40,000,000	11.2%
3	MR VICTOR JOHN PLUMMER	14,000,000	3.9%
4	ICE COLD INVESTMENTS PTY LTD	6,000,000	1.7%
5	RBC INVESTOR SERVICES	5,831,683	1.6%
6	ICE COLD INVESTMENTS PTY LTD	5,410,151	1.5%
7	ONYX (WA) PTY LTD	5,000,000	1.4%
8	YANDAL INVESTMENTS PTY LTD	4,885,000	1.4%
9	NICKSON PTY LTD	3,323,445	0.9%
10	ROLLASON PTY LTD	3,000,000	0.8%
11	MR WILLEM BARTUS JOSEF SLOT	2,554,890	0.7%
12	MR ANDREW MCKENZIE	2,500,000	0.7%
13	MR JAMES WILLIAM TONKIN	2,460,689	0.7%
14	PIAMA PTY LTD	2,172,451	0.6%
15	CARMANT PTY LTD	2,000,000	0.6%
16	INKESE PTY LTD	2,000,000	0.6%
17	ICE COLD INVESTMENTS PTY LTD	1,935,127	0.5%
18	SALOME BODLE PTY LTD	1,900,000	0.5%
19	LIC INVESTMENTS PTY LTD	1,845,000	0.5%
20	CAWDLE PTY LTD	1,650,000	0.5%
	<b>Total</b>	<b>253,605,314</b>	<b>71.0%</b>
	<b>Remainder</b>	<b>103,451,726</b>	<b>29.0%</b>
	<b>Grand Total</b>	<b>357,057,040</b>	<b>100.0%</b>

## Shareholder Information

The twenty largest holders of options exercisable at 18.0 cents per share, expiry date 31 August 2017 are listed below:

No	Shareholder	Options	%
1	ZERO NOMINEES PTY LTD	14,581,882	40.6%
2	CAPE BOUVARD EQUITIES PTY LTD	4,000,000	11.1%
3	MR VICTOR JOHN PLUMMER	1,400,000	3.9%
4	ICE COLD INVESTMENTS PTY LTD	600,000	1.7%
5	RBC INVESTOR SERVICES	583,169	1.6%
6	ICE COLD INVESTMENTS PTY LTD	541,016	1.5%
7	ONYX (WA) PTY LTD	500,000	1.4%
8	YANDAL INVESTMENTS PTY LTD	488,500	1.4%
9	NICKSON PTY LTD	332,345	0.9%
10	ROLLASON PTY LTD	300,000	0.8%
11	MR WILLEM BARTUS JOSEF SLOT	259,624	0.7%
12	MR ANDREW MCKENZIE	250,000	0.7%
13	PIAMA PTY LTD	217,246	0.6%
14	MR DONALD GORDON MACKENZIE	211,069	0.6%
15	MIFAR PTY LTD	210,093	0.6%
16	ICE COLD INVESTMENTS PTY LTD	200,000	0.6%
17	SALOME BODLE PTY LTD	200,000	0.6%
18	MR JAMES WILLIAM TONKIN	197,880	0.6%
19	SUNBRIGHT HOLDINGS PTY LTD	193,513	0.5%
20	HEYS FAMILY HOLDINGS PTY LTD	190,000	0.5%
	<b>Total</b>	<b>25,456,337</b>	<b>71.0%</b>
	<b>Remainder</b>	<b>10,421,130</b>	<b>29.0%</b>
	<b>Grand Total</b>	<b>35,877,467</b>	<b>100.0%</b>

### (c) Shareholders with greater than 5%

As at 31 July 2017, the Company had 2 shareholders with greater than 5% of the issued ordinary share capital:

Shareholder	Shares	%
Euroz Limited	142,813,502	39.9
Cape Bouvard Equities Pty Ltd	40,000,000	11.1



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