# Appendix 4E

## Full Year Report
## 30 June 2016

| **Ozgrowth Limited** | ABN 52 126 450 271 |
|---|---|

## Results for announcement to the market

| *Extracts from this report for announcement to the market* | **Movement** | **June 2016 $** | **June 2015 $** |
|---|---|---|---|
| Revenue from ordinary activities | 106% | 1,078,298 | (17,134,365) |
| Profit/(Loss) from ordinary activities after tax attributable to members | 105% | 585,891 | (12,108,108) |
| Net Profit/(loss) for the period attributable to members | 105% | 585,891 | (12,108,108) |

| **Dividends/distributions** | Amount per security | Franked amount per security |
|---|---|---|
| Final dividend | 0.25 Cents | 0.25 Cents |
| Interim dividend | 0.25 Cents | 0.25 Cents |

| | |
|---|---|
| Record date for determining entitlements to the dividend | 8 August 2016 |
| Dividend payable date | 25 August 2016 |

| **Net Tangible Asset Backing** | June 2016 | June 2015 |
|---|---|---|
| Net tangible asset backing per ordinary security | 17.3 cents | 17.7 cents |

# OZGROWTH LIMITED

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

## ANNUAL REPORT

## For the Year Ended 30 June 2016

**CONTENTS**

## CORPORATE DIRECTORY

### REGISTERED OFFICE

Level 18, Alluvion
58 Mounts Bay Road
PERTH WA 6000

Telephone: (08) 9321 7877

Facsimile: (08) 9321 8288

Website: www.ozgrowth.com.au

### AUDITORS

Ernst & Young

11 Mounts Bay Road

PERTH WA 6000

### BANKERS

Westpac Banking Corporation

109 St George's Terrace

PERTH WA 6000

### SHARE REGISTRY

Computershare Investor Services Pty Ltd

Level 11, 172 St Georges Terrace

PERTH WA 6000

Telephone: 1300 787 272

### BOARD OF DIRECTORS

**Jay Hughes**

Non Executive Chairman

**Simon Joyner**

Non-Executive Director

**Stephen Tucker**

Non Executive Director

**Michael Jefferies**

Non Executive Director

**Chris Webster**

Company Secretary

## CHAIRMAN'S REPORT AND THE PERIOD IN REVIEW

On behalf of my fellow Directors, I am pleased to provide the 2016 Annual Report for the Company.

Significant results of the year include:

- A net profit after tax of $585,591 was generated. This compares to a net loss after tax in the prior year of $12,108,108;
- A final dividend of 0.25 cents per share has been provided for in respect of the 2016 financial year (2015: 0.75 cents). An interim dividend of 0.25 cents per share was paid in February 2016 (2015: 0.75 cents);
- Net tangible assets of the company are $62,473,965 at 30 June 2016 (2015: $63,898,440). This figure includes deferred tax assets of $4,938,685 (2015: $4,567,924).
- Net tangible assets per share before allowance for tax assets was 16.0 cents per share at 30 June 2016 (2015 16.4 cents) after allowance for the 0.5 cent per share dividend over the period. These figures are calculated by dividing the net assets before allowance for tax 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 5.

The 2016 financial year was once again a challenging one for equity markets, with a modest 2% rise recorded over the year. The small positive return for the period came after an improvement over the last four months which reversed losses to that time. The Western Australian environment also continued its adjustment to a significantly lower growth outlook.

Our portfolio return for the financial year was a modest 2.6%. Whilst the overall return for the year was below our long term expectations, we are somewhat comforted by the recent recovery with an improved return in the second half.

Our investment strategy remains to seek out attractive investment opportunities from our Western Australian base. The majority of these opportunities are expected to be outside the Top 100 listed companies. Resource focussed companies are also expected to feature in our investment mix.

Our investment portfolio over the last twelve month has seen a significant reduction in cash levels as we have identified opportunities at the smaller end of the market. We have made a number of investments in companies we believe offer attractive characteristics with good management, viable business strategies and appropriate balance sheet structure. Several of these investments are at the early stage of development and we look forward to the growth in these investments in coming periods.

In terms of shareholder returns, we remain committed to payment of dividends where circumstances allow. Dividends are ultimately driven by the levels of profit generated and whilst we have not recorded profits that are at our long term expectations, I am pleased that we have been able to continue payment of fully franked dividends through this difficult period.

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. We hope to provide useful information on our activities throughout the year and welcome feedback to enhance this.

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

Yours sincerely

**JAY HUGHES Chairman**

**ABOUT OZGROWTH**

- Ozgrowth Limited is a listed investment company (ASX code: OZG) that focuses on producing a positive return on funds invested.
- It was formed on 9 July 2007 and raised its initial capital for investment in December 2007. As at 30 June 2016, it had $58,434,696 of assets in its investment portfolio.
- The company has appointed Westoz Funds Management Pty Ltd as manager to oversee the investment of its portfolio of assets. This manager is a wholly owned subsidiary of Euroz Limited, a listed company that also operates a stock-broking business based in Western Australia.
- The investment mandate set is to identify undervalued companies listed on the Australian Securities Exchange and to invest to produce a positive return. Because of the geographic location of the manager, it is anticipated that the majority of situations identified will have a connection to Western Australia and will have a market capitalisation of less than $1,000 million.
- Ozgrowth Limited will consider investments in small companies, as well as suitable unlisted opportunities.
- The manager is paid a base fee of 1% per annum of funds managed. In addition, a 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.

**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.

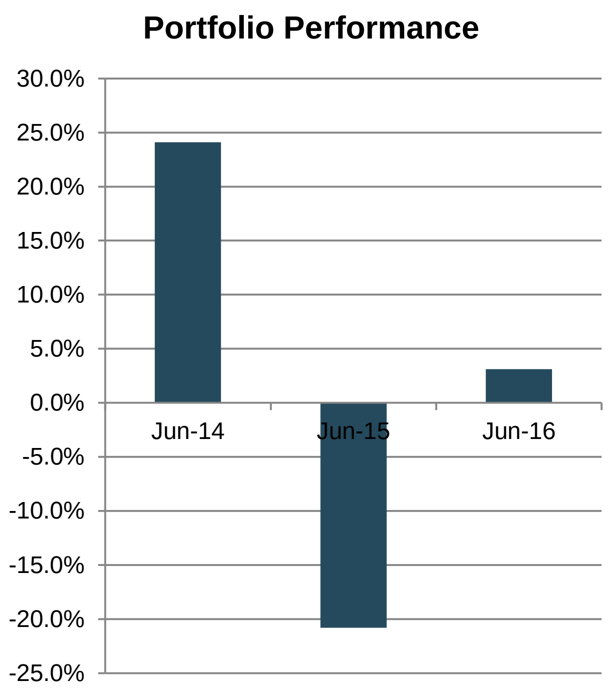
The last twelve months of investment activity generated an investment return of 2.6% before allowance for fees and taxes (2015: -20.8%).

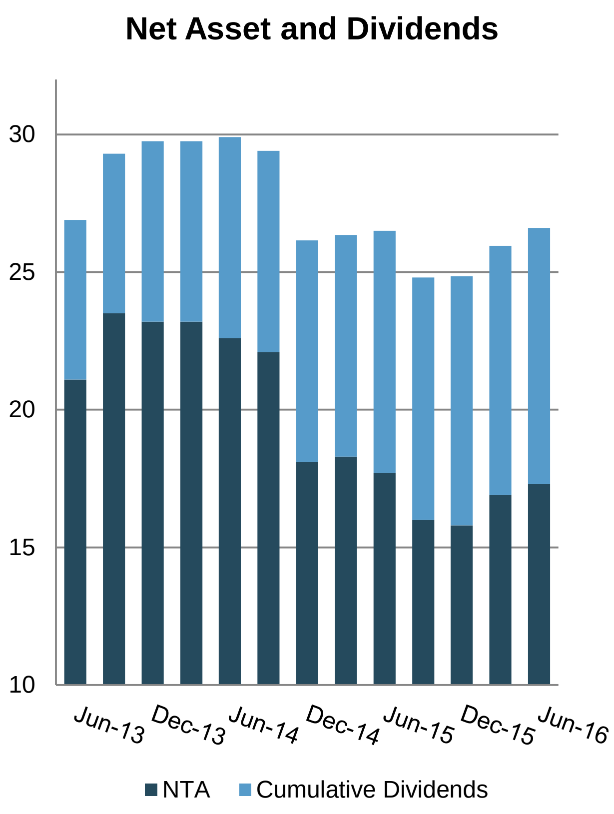
It is the objective of the manager to produce positive investment returns over the medium to long term, thereby boosting the net asset backing per share (NTA) and allowing for the payment of dividends.

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 2016, the net assets per share was 17.4 cents (2015: 17.7 cents).

At 30 June 2016, 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 2016. At 30 June 2015 provision for a 0.75 cent per share dividend was made.

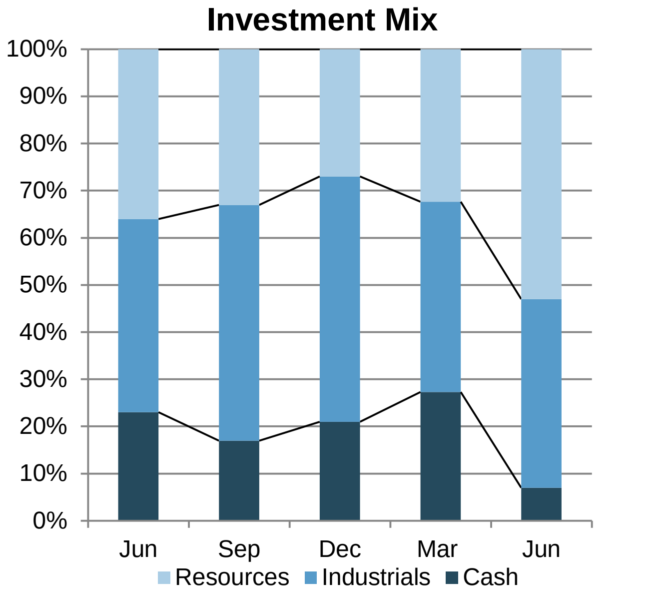


## Asset Allocation

The main feature of our asset mix over the last twelve months has been the reduction in our allocation to cash. This has been the result of investment in a number of new opportunities that we believe offer attractive long term potential for returns.

At year end, investments were held in 35 separate companies. Two of these holdings were unlisted at 30 June 2016.




**Investment Portfolio**

| Industrials | Number of Shares | Fair value at 30 June 2016 |
|---|---|---|
| ASG Group Limited | 750,000 | 682,500 |
| Automotive Holdings Group Limited | 283,730 | 1,063,988 |
| Cedar Woods Properties Limited | 2,025,000 | 8,707,500 |
| Decmil Group Limited | 205,000 | 146,575 |
| Empired Ltd | 500,000 | 165,000 |
| Finbar Group Limited | 1,757,046 | 1,431,992 |
| Fleetwood Corporation Limited | 475,000 | 888,250 |
| IMF Bentham Limited | 1,700,000 | 2,584,000 |
| Mareterram Limited | 2,000,000 | 600,000 |
| Moboom Limited | 1,102,916 | 220,583 |
| NRW Holdings Limited | 3,064,724 | 643,592 |
| Programmed Maintenance Services Limited | 650,000 | 1,140,750 |
| QMS Media Limited | 1,000,000 | 1,180,000 |
| Seafarms Group Limited | 35,500,000 | 2,485,000 |
| Southern Cross Electrical Engineering Ltd | 3,038,930 | 1,671,412 |
| | | **23,611,142** |
| Cash, net of outstanding settlements | | **3,937,888** |

| Resources | Number of Shares | Fair value at 30 June 2016 |
|---|---|---|
| Australis Oil and Gas Limited | 2,500,000 | 550,000 |
| AWE Limited | 350,000 | 290,500 |
| Beach Energy Limited | 1,900,000 | 1,149,500 |
| Boss Resources Limited | 12,500,000 | 500,000 |
| Capricorn Metals Ltd | 5,000,000 | 725,000 |
| Cooper Energy Limited | 15,500,000 | 3,255,000 |
| Emerald Resources NL | 32,000,000 | 1,376,000 |
| Energia Minerals Limited | 42,000,000 | 1,806,000 |
| Equatorial Resources Limited | 7,700,000 | 2,502,500 |
| Independence Group NL | 600,000 | 1,962,000 |
| Mount Gibson Iron Limited | 14,500,000 | 3,697,500 |
| Neometals Ltd | 9,000,000 | 4,050,000 |
| Orecorp Limited | 5,000,000 | 1,550,000 |
| Paladin Energy Ltd | 3,000,000 | 555,000 |
| Red Hill Iron Limited | 1,650,000 | 676,500 |
| Renaissance Minerals Limited | 27,569,172 | 1,461,166 |
| Sandfire Resources NL | 325,000 | 1,696,500 |
| Talisman Mining Limited | 2,250,000 | 866,250 |
| Troy Resources Limited | 700,000 | 378,000 |
| Western Areas Limited | 855,000 | 1,838,250 |
| | | **30,885,666** |
| Total | | **58,434,696** |

## Outlook

The 2016 financial year was split into two distinct periods; the first half was characterised by continuing pessimism towards resource stocks, with the latter period influenced by an improved gold price and some recovery in commodity prices.

As we commence the new financial year, investor interest in commodity related sectors continues. We also see a number of signs that conditions for Western Australian industrial companies have begun to find a bottom.

# DIRECTORS' REPORT
# For the Year Ended 30 June 2016

Your directors submit their report for the year ended 30 June 2016.

## 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
Simon Joyner (Appointed 5 July 2016)
Michael Jefferies
Stephen Tucker
Philip Rees (Resigned 5 July 2016)
Dermot Woods (Resigned 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 the Securities Institute of Australia. He was recognized as an affiliate of ASX in December 2000 and was admitted in May 2004 as a Practitioner Member (Master Stockbroking) of the Stockbrokers Association of Australia.

**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 Chairman of Touchcorp Holdings Limited (appointed 28 June 2004), a Non Executive Director of Resimac Limited (appointed 1 April 2014) and Afterpay Holdings Limited (appointed 26 August 2015) and was formerly a director of Tower Limited (appointed 19 December 2006, resigned 5 February 2014), Capral Limited (appointed 6 November 2008, resigned 15 April 2013), ClearView Wealth Limited (appointed 4 November 2008, resigned 11 October 2012) 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 Stephen Tucker, Non Executive Director**
Mr Tucker is a Non Executive Director of the Company and serves on the Company's Audit Committee. He is also a Non Executive Director of Westoz Investment Company Limited (appointed 3 June 2014) and Westoz Funds Management Pty Ltd, the manager of the Company's assets. Mr Tucker is Non Executive Chairman of Koda Capital Pty Ltd, a Non Executive Director of Vocation Limited (appointed 6 November 2013), and the Banking and Finance Oath. He is a Fellow of the Financial Services Institute of Australia and a member of the Australian Institute of Company Directors. Mr Tucker holds a Bachelor of Economics.

**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 the Securities Institute of Australia and a Diploma of Financial Planning.

**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 the Financial Services Institute of Australia, a Certified Practicing Accountant and a Fellow of the Chartered Institute of Secretaries.

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

**DIRECTORS' REPORT (CONT'D)**
**For the Year Ended 30 June 2016**

## 2. DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year ended 30 June 2016 and the numbers of meetings attended by each director were as follows:

| | Directors' Meetings Held During Period | Directors' Meetings Attended During Period | Audit Committee Meetings Held During Period | Audit Committee meetings Attended During Period |
|---|---|---|---|---|
| Philip Rees | 11 | 11 | - | - |
| Dermot Woods | 11 | 11 | - | - |
| Stephen Tucker | 11 | 11 | 1 | 1 |
| Jay Hughes | 11 | 11 | 1 | 1 |
| Michael Jefferies | 11 | 11 | 1 | 1 |

Mr Joyner was appointed as a Director on 5 July 2016. Messrs Rees and Woods resigned as Directors on 5 July 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 2016, the company made an operating profit after tax of $585,891 (2015: loss of $12,108,108).

## 5. DIVIDENDS

An interim dividend of $902,500 (0.25 cents per share) was paid on 19 February 2016 (2015: $2,718,350).

The Board of Directors has recommended that a final dividend of $898,879 (0.25 cents per share) be paid in respect of the 2016 financial year. This amount is provided in the 30 June 2016 financial statements (2015: $2,707,480).

## 6. REVIEW OF OPERATIONS

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

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

**DIRECTORS' REPORT (CONT'D)**
**For the Year Ended 30 June 2016**

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

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

## 7. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

## 8. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The Company has announced a planned issue of Bonus Options to shareholders. The Bonus Options will be issued in the ratio of one new option for every 10 ordinary shares held at the record date. These options are exercisable at 18 cents at any time on or before 31 August 2017.

As at 31 July 2016, the All Ordinaries Accumulation index has risen approximately 6.3% since 30 June 2016.

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

## 9. LIKELY DEVELOPMENTS AND FUTURE RESULTS

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

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

## 10. DIRECTORS' INTERESTS

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

| | **Ordinary Shares** | **Options** |
|---|---|---|
| **Director** | | |
| Simon Joyner | | |
| Held Directly or Indirectly | 600,000 | 60,000 |
| Stephen Tucker | | |
| Held Directly or Indirectly | 116,131 | 11,366 |
| Jay Hughes | | |
| Held Directly or Indirectly | 3,000,000 | 105,044 |
| Michael Jefferies | | |
| Held Directly or Indirectly | 500,000 | 50,000 |
| | | |

**DIRECTORS' REPORT (CONT'D)**
**For the Year Ended 30 June 2016**

## 11. SHARE OPTIONS

As at the date of this report the Company has 36,054,213 options on issue. The 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. These options are exercisable into 36,054,213 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 2016.

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

## 12. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

## 13. REMUNERATION REPORT (AUDITED)

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

The company had no employees during the year ended 30 June 2016 or 30 June 2015. 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 |
| Michael Jefferies | Director (non-executive) | Appointed 31 October 2007 |
| Philip Rees | Executive Director | Appointed 31 October 2007<br>Resigned 5 July 2016 |
| Dermot Woods | Director (non-executive) | Appointed 5 November 2013<br>Resigned 5 July 2016 |

Westoz Funds Management Pty 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 (CONT'D)
## For the Year Ended 30 June 2016

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

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 | |
|---|---|---|---|---|---|---|---|
| Director | Shares | $0.225 Options | Shares[1] | $0.225 Options | $0.18 Options[2] | Shares | $0.18 Options[2] |
| 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 |

1. 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.
2. Unexercised $0.225 options expired on 31 August 2015. The $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.

The share and option holdings of KMP as at 30 June 2015 are as follows:

| | Balance 1 July 2014 | | Net Change | | Balance 30 June 2015 | |
|---|---|---|---|---|---|---|
| Director | Shares | Options | Shares[1] | Options[2] | Shares | Options |
| Philip Rees | | | | | | |
| Held Directly and Indirectly | 1,000,000 | - | 82,030 | 100,000 | 1,082,030 | 100,000 |
| Jay Hughes | | | | | | |
| Held Directly and Indirectly | 1,000,000 | - | - | 100,000 | 1,000,000 | 100,000 |
| Dermot Woods | | | | | | |
| Held Directly and Indirectly | 1,000,000 | - | 82,030 | 100,000 | 1,082,030 | 100,000 |
| Steven Tucker | | | | | | |
| Held Directly and Indirectly | 100,000 | - | 8,203 | 10,000 | 108,203 | 10,000 |
| Michael Jefferies | | | | | | |
| Held Directly and Indirectly | 500,000 | - | - | 50,000 | 500,000 | 50,000 |

1. Net Change in Shares reflects participation in Dividend Reinvestment Plan for Messrs Rees, Woods and Tucker.
2. The options were issued pursuant to the Bonus Issue prospectus issued on 8 July 2014 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 (CONT'D)**
**For the Year Ended 30 June 2016**

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

Mr Jefferies and Mr Tucker were remunerated in both the 2016 and 2015 financial years. Their services may be terminated by them at any time and otherwise by shareholder vote. Details of remuneration for the years ended 30 June 2016 and 30 June 2015 is as follows:

| | | Short-term | Post-employment | |
|---|---|---|---|---|
| | | Fee ($) | Superannuation ($) | Total ($) |
| **S Tucker** | 2016 | 51,001 | 4,845 | 55,846 |
| | 2015 | 50,035 | 4,753 | 54,788 |
| **M Jefferies** | 2016 | 50,538 | 4,800 | 55,338 |
| | 2015 | 49,772 | 4,728 | 54,500 |

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

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

Westoz Funds Management Pty Ltd, a company of which Messrs 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 $552,624 (2015: $719,991) was charged in the period for these services. No performance fee in respect of the 2016 year was accrued in the period (2015: nil). There was $53,570 (2015: $56,650) accrued for management fees payable as at 30 June 2016.

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 $284,091 (2015: $315,177) was paid in the year as brokerage to Euroz Securities Limited. $1,076 of this brokerage was outstanding as at 30 June 2016 (2015: $1,918).

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-12 | 0.3 | 16.0 |
| Jun-13 | 0.0 | 16.5 |
| Jun-14 | 3.0 | 21.0 |
| Jun-15 | -3.4 | 16.0 |
| Jun-16 | 0.2 | 13.5 |

**DIRECTORS' REPORT (CONT'D)**
**For the Year Ended 30 June 2016**

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

There are no long term incentives payable.

**(END OF REMUNERATION REPORT)**

## 14. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Ozgrowth Limited support and have adopted a corporate governance plan. Details of the Corporate Governance Practices can be found at westozfunds.com.au/ozg/thecompany/corporate-governance

## 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 15 and forms part of the Ozgrowth Limited's report for the year ended 30 June 2016.

## 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 | 14,300 |

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

**JAY HUGHES**
**Chairman**
**Dated: 22 August 2016**
**Perth, Western Australia**

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

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## 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 2016, 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Robert A Kirkby
Partner
22 August 2016



RK:JH:OZGROWTH:006

## STATEMENT OF COMPREHENSIVE INCOME
## For the Year Ended 30 June 2016

| | Note | 30/06/16 $ | 30/06/15 $ |
|---|---|---|---|
| **REVENUE** | | | |
| Interest revenue | | 159,789 | 331,254 |
| Dividend revenue | | 1,606,343 | 2,271,795 |
| **Total revenue** | | 1,766,132 | 2,603,049 |
| Changes in the fair value of investments designated at fair value through profit or loss upon initial recognition | 4 | (687,834) | (19,737,414) |
| | | 1,078,298 | (17,134,365) |
| **EXPENSES** | | | |
| Management fees | 15(b) | 552,624 | 719,991 |
| Director fees | | 111,155 | 109,288 |
| Professional fees | | 93,781 | 90,500 |
| ASX Fees | | 43,433 | 65,333 |
| Other Expenses | 6 | 62,174 | 84,612 |
| **Total Expenses** | | 863,167 | 1,069,724 |
| **PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE** | | 215,131 | (18,204,089) |
| Income tax credit | 7 | 370,760 | 6,095,981 |
| **NET (LOSS)/PROFIT ATTRIBUTABLE TO MEMBERS OF THE COMPANY** | | 585,891 | (12,108,108) |
| **Other Comprehensive Income** | | - | - |
| **TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD** | | 585,891 | (12,108,108) |
| **(Loss)/Earnings per share (cents)** | | | |
| - Basic and Diluted | 16 | 0.2 | (3.4) |

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

# STATEMENT OF FINANCIAL POSITION
# AS AT 30 June 2016

| | Note | 30/06/2016<br>$ | 30/06/2015<br>$ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and Cash Equivalents | 19(a) | 4,318,635 | 13,890,837 |
| Other | 9 | 22,795 | 316,105 |
| **TOTAL CURRENT ASSETS** | | 4,341,430 | 14,206,942 |
| **NON -CURRENT ASSETS** | | | |
| Investments in financial assets designated as at fair value through profit or loss: | | | |
| - Listed Equities | 5 | 53,726,224 | 47,895,194 |
| - Unlisted Equities | 5 | 770,583 | 220,583 |
| Deferred Tax Assets | 7 | 4,938,685 | 4,567,924 |
| **TOTAL NON-CURRENT ASSETS** | | 59,435,492 | 52,683,701 |
| **TOTAL ASSETS** | | 63,776,922 | 66,890,643 |
| **CURRENT LIABILITIES** | | | |
| Trade and Other Payables | 10 | 404,078 | 284,723 |
| Dividend Payable | 8 | 898,879 | 2,707,480 |
| **TOTAL CURRENT LIABILITIES** | | 1,302,957 | 2,992,203 |
| **TOTAL LIABILITIES** | | 1,302,957 | 2,992,203 |
| **NET ASSETS** | | 62,473,965 | 63,898,440 |
| **EQUITY** | | | |
| Contributed Equity | 11 | 73,365,078 | 73,574,064 |
| Profit Reserve | 12 | 5,808,296 | 7,609,676 |
| Accumulated Loss | 13 | (16,699,409) | (17,285,300) |
| **TOTAL EQUITY** | | 62,473,965 | 63,898,440 |

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

# CASH FLOW STATEMENT
## For the Year Ended 30 June 2016

| | Note | 30/06/2016 $ | 30/06/2015 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Interest received | | 159,790 | 331,255 |
| Dividends received | | 1,606,343 | 2,271,795 |
| Payments to suppliers and employees (inclusive of GST) | | (857,079) | (863,310) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 19(b) | 909,054 | 1,739,740 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of investments designated as at fair value through profit or loss | | 37,279,226 | 52,579,831 |
| Payments for purchases of investments designated as at fair value through profit or loss | | (43,941,516) | (44,592,244) |
| NET CASH FLOW (USED IN)/FROM INVESTING ACTIVITIES | | (6,662,290) | 7,987,587 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| (Costs)/Proceeds from issue of ordinary shares | | (15,628) | 321,108 |
| Share buyback | | (193,358) | - |
| Dividends paid | | (3,609,980) | (5,414,848) |
| NET CASH FLOWS (USED IN) FINANCING ACTIVITIES | | (3,818,966) | (5,093,740) |
| NET (DECREASE)/INCREASE IN CASH HELD | | (9,572,202) | 4,633,587 |
| Cash and cash equivalents at the beginning of the period | | 13,890,837 | 9,257,250 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | 19(a) | 4,318,635 | 13,890,837 |

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 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 | (208,987) | - | - | (209,987) |
| 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 |

**For the Year Ended 30 June 2015**

| | Contributed Equity | Profit Reserve | Accumulated Loss | Total Equity |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **At 1 July 2014** | 73,252,957 | 13,035,516 | (5,177,192) | 81,111,281 |
| (Loss) / Profit for the period | - | - | (12,108,108) | (12,108,108) |
| Total Comprehensive income / (loss) for the period | - | - | (12,108,108) | (12,108,108) |
| Transactions with owners in their capacity as owners: | | | | |
| Issued Capital | 321,107 | - | - | 321,107 |
| Dividends for the year | - | (5,425,840) | - | (5,425,840) |
| **At 30 June 2015** | 73,574,064 | 7,609,676 | (17,285,300) | 63,898,440 |

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

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### 1. CORPORATE INFORMATION

The financial report of Ozgrowth Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on xx August 2016.

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 2016.

The company had no employees as at 30 June 2016.

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 2016 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 Company has adopted new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2015, including:

- AASB 2013-9, *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments; and*
- AASB 2015-3, *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

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

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

Applicable Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2016. These are included in the table below.

| Reference | Title | Summary | Impact on Company | Application date of standard | Application date for the Company |
|---|---|---|---|---|---|
| AASB 9 | *Financial Instruments* | AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.<br>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.<br>Classification and measurement<br>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.<br>The main changes are described below.<br>*Financial assets*<br>a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.<br>b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.<br>c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.<br>*Financial liabilities*<br>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.<br>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:<br>► The change attributable to changes in credit risk are presented in other comprehensive income (OCI)<br>► The remaining change is presented in profit or loss<br>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.<br>Impairment<br>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. | The Company is in the process of assessing the impact of the amendments | 1 January 2018 | 1 July 2018 |

| Reference | Title | Summary | Impact on Company | Application date of standard | Application date for the Company |
|---|---|---|---|---|---|
| | | Hedge accounting<br>Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.<br>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.<br>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.<br>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015. | | | |
| AASB 2014-4 | Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138) | AASB 116 *Property Plant and Equipment* and AASB 138 *Intangible Assets* both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.<br>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.<br>The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. | The Company is in the process of assessing the impact of the amendments | 1 January 2016 | 1 July 2016 |
| AASB 1057 | Application of Australian Accounting Standards | This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible.<br>The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities. | The Company is in the process of assessing the impact of the amendments | 1 January 2016 | 1 July 2016 |
| AASB 2015-1 | Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle | The subjects of the principal amendments to the Standards are set out below:<br>AASB 5 *Non-current Assets Held for Sale and Discontinued Operations:*<br>• Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change.<br>AASB 7 *Financial Instruments: Disclosures:*<br>• Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is ‘continuing involvement’ for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7.<br>• Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 *Disclosure–Offsetting* | The Company is in the process of assessing the impact of the amendments | 1 January 2016 | 1 July 2016 |

| Reference | Title | Summary | Impact on Company | Application date of standard | Application date for the Company |
|---|---|---|---|---|---|
| | | *Financial Assets and Financial Liabilities* is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 *Interim Financial Reporting* when its inclusion would be required by the requirements of AASB 134.<br><br>AASB 119 *Employee Benefits*:<br>• Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.<br><br>AASB 134 *Interim Financial Reporting:*<br>• Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. | | | |
| AASB 2015-2 | Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 | The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. | The Company is in the process of assessing the impact of the amendments | 1 January 2016 | 1 July 2016 |
| AASB 2015-9 | Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057] | This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133. | The Company is in the process of assessing the impact of the amendments | 1 January 2016 | 1 July 2016 |
| 2016-1 | Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112] | This Standard amends AASB 112 *Income Taxes* (July 2004) and AASB 112 *Income Taxes* (August 2015) to clarify the requirements on recognition of 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 | Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 | This Standard amends AASB 107 *Statement of Cash Flows* (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. | The Company is in the process of assessing the impact of the amendments | 1 January 2017 | 1 July 2017 |

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

(c) Financial assets

*(i) Initial recognition and measurement*

Financial assets within the scope of AASB 139 are classified as financial assets at fair value through profit or loss 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.

*(ii) Subsequent measurement*

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

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

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

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

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

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

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

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

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

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

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

(c) Financial assets (cont'd)

Changes in the fair value of investments – net gains or losses on investments designated as at fair value through profit or loss are calculated as the difference between the fair value at sale or 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*

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

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

(d) Cash and cash equivalents

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

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

(e) Income Tax

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

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

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

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

The carrying amount of deferred income tax assets is reviewed at each 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.

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

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

(f) Other Taxes

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

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

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

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

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

(g) Revenue Recognition

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

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

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

(h) Trade and Other Payables

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

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

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

(i) Contributed Equity

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

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

(j) Earnings Per Share

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Diluted earnings per share is calculated as net profit attributable to ordinary equity holders, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(k) Trade and Other Receivables

Receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for uncollectible debts. 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.

(l) Dividends

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

(m) Performance Fees

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

(n) Due to and from brokers

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

(o) Significant Accounting Judgements, Estimates and Assumptions

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

| | 30/06/16<br>$ | 30/06/15<br>$ |
|---|---|---|
| Net realised loss on disposal of investments | (3,861,078) | (7,206,776) |
| Net unrealised (loss) / gain on investments | 3,173,244 | (12,530,638) |
| | (687,834) | (19,737,414) |

The total number of contract notes that were issued for transactions during the financial year was 726 (2015: 744). The total brokerage paid on these contract notes was $296,732 (2015: $317,898).

## 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 2016 | | | |
|---|---|---|---|---|
| | **Valued at Quoted market price (Level 1)** | **Valuation Technique market observable inputs (Level 2)** | **Valuation technique non – market observable inputs (Level 3)** | **Total** |
| **Financial assets at fair value through profit or loss** | | | | |
| *(i) Listed equities* | 53,726,224 | - | - | 53,726,224 |
| *(ii) Unlisted Equities* | - | - | 770,583 | 770,583 |
| | **53,726,224** | - | **770,583** | **54,496,807** |

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

| | 30 June 2015 | | | |
|---|---|---|---|---|
| | **Valued at Quoted market price (Level 1)** | **Valuation Technique market observable inputs (Level 2)** | **Valuation technique non – market observable inputs (Level 3)** | **Total** |
| **Financial assets at fair value through profit or loss** | | | | |
| *(i) Listed equities* | 47,895,194 | - | - | 47,895,194 |
| *(ii) Unlisted Equities* | - | - | 220,583 | 220,583 |
| | **47,895,194** | **-** | **220,583** | **48,115,777** |

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.

| | **30/06/16 $** | **30/06/15 $** |
|---|---|---|
| **6. OTHER EXPENSES** | | |
| **Expenses** | | |
| Marketing | 5,309 | 23,690 |
| Share Registry Costs | 38,153 | 45,458 |
| Other | 18,712 | 15,464 |
| | 62,174 | 84,612 |

## 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 | (370,760) | (6,095,981) |
| **Income tax (credit) / expense reported in statement of comprehensive income** | (370,760) | (6,095,981) |

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 (loss) / profit before tax | 215,131 | (18,204,089) |
| Tax at the statutory income tax rate of 30% (2015: 30%) | 64,359 | (5,461,227) |
| Tax effect of franking credits | (621,856) | (930,769) |
| Tax effect of amounts which are not deductible(taxable) in calculating taxable income | 186,737 | 296,015 |
| **Income tax (credit) / expense** | (370,760) | (6,095,981) |

## 7. INCOME TAX (CONT'D)

**Deferred Income tax**

Deferred income tax at 30 June relates to the following:

| | Statement of financial position | | Statement of comprehensive income | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| *Deferred Tax Assets* | $ | $ | $ | $ |
| Tax loss recognised/(utilised) | 4,792,178 | 3,469,444 | (1,322,733) | (2,336,789) |
| Unrealised loss on investments in financial assets | 146,507 | 1,098,480 | 951,973 | (1,098,480) |
| *Total DTA* | 4,938,685 | 4,567,924 | 370,760 | (3,435,269) |
| *Deferred Tax Liabilities* | | | | |
| Unrealised gain on investments in financial assets | - | - | - | (2,660,712) |
| *Total DTL* | - | - | - | (2,660,712) |
| Net (DTL) / DTA | 4,938,685 | 4,567,924 | 370,760 | (6,095,981) |

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.

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

| | **30/06/16** | **30/06/15** |
|---|---|---|
| | **$** | **$** |
| **Ordinary Shares** | | |
| Interim dividend of 0.25 cents per share paid on 19 February 2016 (2015: 0.75 cents per share) | 902,500 | 2,718,350 |
| Final dividend of 0.25 cents per share declared and provided for at 30 June 2016 (2015: 0.75 cents per share per fully paid ordinary share). Fully franked based on tax paid or payable at 30%) | 898,879 | 2,707,480 |
| | 1,801,379 | 5,425,830 |
| **Franking Credit Balance** | | |
| Franking credits available at the end of the financial year at 30% (2015: 30%) | 979,931 | 1,905,209 |
| Franking debits that will arise by the payment of dividends as at the end of the financial year | (385,234) | (1,160,348) |
| | 594,697 | 744,861 |

## 9. OTHER CURRENT ASSETS

| | **30/06/16** | **30/06/15** |
|---|---|---|
| | **$** | **$** |
| Outstanding settlements | - | 295,823 |
| GST Receivable | 22,795 | 20,282 |
| | 22,795 | 316,105 |

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 (CURRENT)

| | | |
|---|---|---|
| Trade Payables | 124,388 | 115,784 |
| Outstanding purchase settlements | 279,690 | 168,939 |
| | 404,078 | 284,723 |

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.

## 11. CONTRIBUTED EQUITY

***(a) Contributed Equity***

| | | |
|---|---|---|
| 359,551,470 fully paid ordinary shares (2015: 360,997,266) | 73,365,078 | 73,574,064 |

| ***b) Movements in ordinary shares on Issue*** | **Number of Shares** | **$** | **Number of Shares** | **$** |
|---|---|---|---|---|
| Beginning of the financial period | 360,997,266 | 73,574,064 | 359,531,594 | 73,252,957 |
| - Option Exercise | 3,550 | 639 | 1,465,672 | 328,775 |
| - Share Buyback | (1,449,346) | (193,358) | - | - |
| Less Issue Costs | - | (16,268) | - | (7,668) |
| | 359,551,470 | 73,365,077 | 360,997,266 | 73,574,064 |

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

The Company does not have an authorised capital nor par value in respect of its issued capital.
Ordinary fully paid shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.
Ordinary fully paid shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

***(d) Options***

At balance date there were 36,054,213 options outstanding. The 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. These options are exercisable into 36,054,213 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 2016.

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.

## 11. CONTRIBUTED EQUITY (CONT'D)

### *(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.

| | **30/06/16** | **30/06/15** |
|---|---|---|
| | **$** | **$** |
| **12. RESERVES** | | |
| Profit Reserve | 5,808,297 | 7,609,676 |
| | 5,808,297 | 7,609,676 |

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

| | | |
|---|---|---|
| Movement in Profits Reserve | | |
| Balance at beginning of the year | 7,609,676 | 13,035,516 |
| Dividend Paid | (1,801,379) | (5,425,840) |
| | 5,808,297 | 7,609,676 |

## 13. ACCUMULATED LOSS

| | | |
|---|---|---|
| Balance at beginning of the year | (17,285,300) | (5,177,193) |
| (Loss) / Profit for the year attributable to members | 585,891 | (12,108,108) |
| | (16,699,409) | (17,285,301) |

## 14. AUDITORS' REMUNERATION

| | | |
|---|---|---|
| Total of all remuneration received or due and receivable by Ernst & Young in connection with: | | |
| - an audit or review of a financial report of the company | 52,650 | 52,650 |
| - services in relation to tax compliance for the company | 14,300 | 15,000 |
| | 66,950 | 67,650 |

## 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 and Mr Tucker are the only paid Directors of the Company. The total remuneration payable for the financial year is $111,184 (2015: $109,288) of which $101,538 was a short term benefit (2015: $99,807) and $9,646 was post-employment benefit (2015:$9,481).

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

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

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

Westoz Funds Management Pty Ltd, a company of which Messrs Rees, Woods, Tucker and Hughes are Directors is considered to be a Key Management Personnel ("KMP") 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 $552,624 (2015: $719,991) was charged in the period for these services. No performance fee was accrued in respect of the 2016 financial year (2015: nil). There was $53,750 (2015: $56,650) accrued for management fees payable as at 30 June 2016.
These fees were charged in accordance with a management agreement. Management fee is calculated at 1% per annum of funds managed. Performance fee is payable where performance exceeds 7% over a twelve month period to end of June and is calculated at 20% of the performance exceeding the threshold.

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

Euroz Securities Limited, a company of which Mr Hughes is a director received brokerage fees for transactions undertaken by the company in respect of its investments. An amount of $284,091 (2015: $315,177) was paid in the year as brokerage to Euroz Securities Limited. $1,076 of this brokerage was outstanding as at 30 June 2016 (2015: $1,918). Euroz Securities also provides nominee and custodial services for the company. No fees were paid in relation to these services in the period (2014: 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.

## 16. EARNINGS PER SHARE

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

The company has no dilutive securities on issue.

| | **30/06/16**<br>**$** | **30/06/15**<br>**$** |
|---|---|---|
| Net profit/(loss) attributable to ordinary equity holders of the company used in calculating basic earnings per share | 585,891 | (12,108,108) |
| Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share | 360,892,692 | 360,838,740 |
| Basic and diluted earnings per share (cents) | 0.2 | (3.4) |

The Company has on issue 36,054,213 options. These options are exercisable into 36,054,213 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 2016.

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

The Company plans to issue new Bonus Options to shareholders in the ratio of one new option for every 10 ordinary shares held. These options will be exercisable at $0.18 at any time on or before 31 August 2017.

As at 31 July 2016, the All Ordinaries Accumulation index has risen approximately 6.3% since 30 June 2016.

No matters or events have occurred subsequent to 30 June 2016 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 2016 (2015: $nil).

## 19. NOTES TO THE STATEMENTS OF CASH FLOW

| | 30/06/16<br>$ | 30/06/15<br>$ |
|---|---|---|

### *(a) Reconciliation of Cash*

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

| | 30/06/16 $ | 30/06/15 $ |
|---|---|---|
| Cash at Bank and in hand | 4,318,635 | 13,890,837 |
| | 4,318,635 | 13,890,837 |

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 $4,318,635 (2015: $13,890,837). Of the total cash and cash equivalents held at 30 June 2016, $3,937,888 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*

| | 30/06/16 $ | 30/06/15 $ |
|---|---|---|
| Net profit/(loss) after tax | 585,891 | (12,108,108) |
| **Adjustment for Non-Cash Items:** | | |
| **Items classified as Investing** | | |
| Unrealised (profit)/loss on shares | (3,173,244) | 12,530,638 |
| Realised (profit)/loss on shares | 3,861,078 | 7,206,776 |
| **Changes in Assets and Liabilities:** | | |
| Increase in trade and other payables | 8,605 | 584 |
| (Decrease)/Increase in other assets | (2,514) | 205,831 |
| (Decrease) in deferred tax balances | (370,760) | (6,095,981) |
| Net Cash generated from Operating Activities | 909,056 | 1,739,740 |

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

### *c) Financing Facilities Available*

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

## 20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Company's principal financial instruments comprise listed equities, cash, short term deposits and outstanding sale and purchase settlements. The Company has other financial instruments such as trade creditors and distributions payable which arise directly from its operations. The Company may also transact in other financial instruments, including derivatives, to achieve its target rate of return on assets. No derivatives are held at 30 June 2016 (2015: 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 2016, 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 2016.

*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.

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

The portfolio position as at 30 June 2016 is as follows:

**Investment Portfolio**

| Industrials | Number of Shares | Fair value at 30 June 2016 | Resources | Number of Shares | Fair value at 30 June 2016 |
|---|---|---|---|---|---|
| ASG Group Limited | 750,000 | 682,500 | Australis Oil and Gas Limited | 2,500,000 | 550,000 |
| Automotive Holdings Group Limited | 283,730 | 1,063,988 | AWE Limited | 350,000 | 290,500 |
| Cedar Woods Properties Limited | 2,025,000 | 8,707,500 | Beach Energy Limited | 1,900,000 | 1,149,500 |
| Decmil Group Limited | 205,000 | 146,575 | Boss Resources Limited | 12,500,000 | 500,000 |
| Empired Ltd | 500,000 | 165,000 | Capricorn Metals Ltd | 5,000,000 | 725,000 |
| Finbar Group Limited | 1,757,046 | 1,431,992 | Cooper Energy Limited | 15,500,000 | 3,255,000 |
| Fleetwood Corporation Limited | 475,000 | 888,250 | Emerald Resources NL | 32,000,000 | 1,376,000 |
| IMF Bentham Limited | 1,700,000 | 2,584,000 | Energia Minerals Limited | 42,000,000 | 1,806,000 |
| Mareterram Limited | 2,000,000 | 600,000 | Equatorial Resources Limited | 7,700,000 | 2,502,500 |
| Moboom Limited | 1,102,916 | 220,583 | Independence Group NL | 600,000 | 1,962,000 |
| NRW Holdings Limited | 3,064,724 | 643,592 | Mount Gibson Iron Limited | 14,500,000 | 3,697,500 |
| Programmed Maintenance Services Limited | 650,000 | 1,140,750 | Neometals Ltd | 9,000,000 | 4,050,000 |
| QMS Media Limited | 1,000,000 | 1,180,000 | Orecorp Limited | 5,000,000 | 1,550,000 |
| Seafarms Group Limited | 35,500,000 | 2,485,000 | Paladin Energy Ltd | 3,000,000 | 555,000 |
| Southern Cross Electrical Engineering Ltd | 3,038,930 | 1,671,412 | Red Hill Iron Limited | 1,650,000 | 676,500 |
| | | **23,611,142** | Renaissance Minerals Limited | 27,569,172 | 1,461,166 |
| | | | Sandfire Resources NL | 325,000 | 1,696,500 |
| Cash, net of outstanding settlements | | **3,937,888** | Talisman Mining Limited | 2,250,000 | 866,250 |
| | | | Troy Resources Limited | 700,000 | 378,000 |
| | | | Western Areas Limited | 855,000 | 1,838,250 |
| | | | | | **30,885,666** |
| | | | Total | | **58,434,696** |

*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 2016 was $4,318,635 (2015: $13,890,837). 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 2016, cash deposits of $4,318,635 (2015: $13,890,837) were held at call. No term deposits with maturities of more than three months (2015: $nil) were held. No interest was recorded as receivable (2015: $nil).

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

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 2015.

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

| Change in Basis Points | | 2015 Effect on Pre Tax Profit ($) | | 2015 Effect on Equity including retained earnings ($) | |
|---|---|---|---|---|---|
| Increase | Decrease | Increase | Decrease | Increase | Decrease |
| 50 | 50 | 69,500 | (69,500) | 48,650 | (48,650) |

*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 2015.

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

| Index | Change in Index | 2015 Effect on Pre Tax profit ($) | 2015 Effect on Equity including retained earnings ($) |
|---|---|---|---|
| ASX Small Ordinaries Index | Increase 10%/ (Decrease 10%) | 4,790,000/(4,810,000) | 3,353,000/(3,353,000) |

**DIRECTORS' DECLARATION**

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

1. In the opinion of the directors:

(a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2016 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 2016.

On behalf of the Board

**Jay Hughes**
**Chairman**
**Dated: 22 August 2016**

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

## Report on the financial report

We have audited the accompanying financial report of Ozgrowth Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

## Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

## Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

## Independence

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



RK:JH:OZGROWTH:007

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## Opinion

In our opinion:

a. the financial report of Ozgrowth Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

## Report on the remuneration report

We have audited the Remuneration Report included in section 13 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion the Remuneration Report of Ozgrowth Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Robert A Kirkby
Partner
Perth
22 August 2016



RK:JH:OZGROWTH:007

## SHAREHOLDER INFORMATION

## ORDINARY SHARES AT 31 JULY 2016

### A) DISTRIBUTION OF SHAREHOLDERS

Analysis of number of shareholders by size of holding:

| | Ordinary Shares | | Options | |
|---|---|---|---|---|
| | **Holders** | **Holders** | **Units** | **Units** |
| **Issued Capital Distribution of Holdings** | | | | |
| 1-5,000 | 71 | 175,233 | 438 | 906,871 |
| 5,001-10,000 | 81 | 671,297 | 158 | 1,259,691 |
| 10,001-100,000 | 423 | 19,428,138 | 248 | 7,511,858 |
| 100,001 and over | 260 | 339,276,802 | 26 | 26,375,793 |
| **TOTAL Holders** | 835 | 359,551,470 | 870 | 36,054,213 |

### 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 | 40.4% |
| 2 | CAPE BOUVARD EQUITIES PTY LTD | 40,000,000 | 11.1% |
| 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% |
| 7 | ICE COLD INVESTMENTS PTY LTD | 5,410,151 | 1.5% |
| 6 | 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 DONALD GORDON MACKENZIE & | 2,460,689 | 0.7% |
| 14 | PIAMA PTY LTD | 2,172,451 | 0.6% |
| 15 | ICE COLD INVESTMENTS PTY LTD | 2,000,000 | 0.6% |
| 16 | SALOME BODLE PTY LTD | 2,000,000 | 0.6% |
| 17 | SUNBRIGHT HOLDINGS PTY LTD | 1,935,127 | 0.5% |
| 18 | HEYS FAMILY HOLDINGS PTY LTD | 1,900,000 | 0.5% |
| 19 | MR JAMES WILLIAM TONKIN & | 1,845,000 | 0.5% |
| 20 | INKESE PTY LTD | 1,650,000 | 0.5% |
| | Total | 253,605,314 | 70.5% |
| | Remainder | 105,946,156 | 29.5% |
| | Grand Total | 359,551,470 | 100.0% |

The twenty largest holders of options exercisable at 18.0 cents per share, expiry date 31 August 2016 are listed below:

| No | Shareholder | Shares | % |
|---|---|---|---|
| 1 | ZERO NOMINEES PTY LTD | 14,479,052 | 40.2% |
| 2 | CAPE BOUVARD EQUITIES PTY LTD | 4,000,000 | 11.1% |
| 3 | MR VICTOR JOHN PLUMMER | 1,200,000 | 3.3% |
| 4 | RBC INVESTOR SERVICES | 684,454 | 1.9% |
| 5 | ICE COLD INVESTMENTS PTY LTD | 600,000 | 1.7% |
| 7 | ICE COLD INVESTMENTS PTY LTD | 541,016 | 1.5% |
| 6 | ONYX (WA) PTY LTD | 500,000 | 1.4% |
| 8 | YANDAL INVESTMENTS PTY LTD | 488,500 | 1.4% |
| 9 | MR DONALD GORDON MACKENZIE & | 461,590 | 1.3% |
| 10 | ACRES HOLDINGS PTY LTD | 340,000 | 0.9% |
| 11 | ROLLASON PTY LTD | 300,000 | 0.8% |
| 12 | MIFAR PTY LTD | 282,196 | 0.8% |
| 13 | MR PAUL JOHN TYS & | 260,531 | 0.7% |
| 14 | MR WILLEM BARTUS JOSEF SLOT | 250,053 | 0.7% |
| 15 | MR ANDREW MCKENZIE & | 250,000 | 0.7% |
| 16 | PIAMA PTY LTD | 217,246 | 0.6% |
| 17 | ICE COLD INVESTMENTS PTY LTD | 200,000 | 0.6% |
| 18 | SUNBRIGHT HOLDINGS PTY LTD | 193,513 | 0.5% |
| 19 | MR JAMES WILLIAM TONKIN & | 156,200 | 0.4% |
| 20 | HEYS FAMILY HOLDINGS PTY LTD | 155,000 | 0.4% |
| | Total | 25,559,351 | 70.9% |
| | Remainder | 10,494,862 | 29.1% |
| | Grand Total | 36,054,213 | 100.0% |

## C) SHAREHOLDERS WITH GREATER THAN 5%

As at 31 July 2016, the company had 2 shareholders with greater than 5% of the issued ordinary share capital:

| Shareholder | Shares | % |
|---|---|---|
| Euroz Limited | 139,928,168 | 38.8 |
| Cape Bouvard Equities Pty Ltd | 40,000,000 | 11.1 |