

2016

Annual Report



# Contents

Corporate Directory	BELOW	Statement of Financial Position	15
Chairman's Report	2	Cash Flow Statement	16
About Westoz	3	Statement of Changes in Equity	17
Investment Managers' Report	4	Notes to the Financial Statements	19
Directors' Report	6	Directors' Declaration	40
Auditor's Independence Declaration	12	Independent Auditors Report	41
Statement of Comprehensive Income	14	Shareholder Information	43

## Corporate Directory

### Registered Office

Level 18 Alluvion  
58 Mounts Bay Road  
PERTH WA 6000  
Telephone: (08) 9321 7877  
Facsimile: (08) 9321 8288  
Website: [www.westoz.com.au](http://www.westoz.com.au)

### Auditors

Ernst & Young  
11 Mounts Bay Road  
PERTH WA 6000

### Bankers

Westpac Banking Corporation  
109 St Georges 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

**Terry Budge**  
Non Executive Director

**Steve Tucker**  
Non Executive Director

**Simon Joyner**  
Non Executive Director

### Company Secretary

**Chris Webster**



# Chairman's Report



## On behalf of my fellow Directors, I present the 2016 Annual Report for the Company.

### Significant results from the year are:

- Westoz Investment Company Limited has recorded a pre-tax loss of \$1,599,585 (2015: loss of \$30,618,200) and net profit after tax of \$103,019 (2015: loss of \$19,998,524).
- Directors have declared a final dividend of 3.0 cents per share fully franked (2015: 4.5 cents). An interim dividend of 3.0 cent per share fully franked was paid in February 2016 (2015: 4.5 cents).
- Total assets of the company are \$132,874,597 at 30 June 2016 (2015: \$143,507,889).
- Net tangible assets at 30 June 2016 are \$127,929,350 (2015: \$135,658,239). This figure includes deferred tax assets of \$9,900,169 (2015: \$8,197,566)
- Net tangible assets per share before allowance for tax assets was 91.4 cents per share at 30 June 2016 (2015: 98.6 cents) after allowance for the 6.0 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 of the company, I refer you to the Managers' 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 0.4%. 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.

An aspect of the recent performance worth highlighting is that it was achieved with a relatively high cash position, which, with equity markets moving upwards, is a hindrance to returns. This cash remains available for investment and we believe that once invested, our returns will proportionally benefit.

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.

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.westoz.com.au](http://www.westoz.com.au). We hope to provide useful information on our activities throughout the year and welcome feedback to enhance this.

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

Yours sincerely

**JAY HUGHES**  
Non Executive Chairman



## About Westoz

---

- Westoz Investment Company Limited is a listed investment company that focuses on producing a positive return on funds invested.
- It was formed on 11 March 2005 and raised its initial capital for investment in May 2005. As at 30 June 2016, it had \$121,858,089 of assets in its investment portfolio.
- The company has appointed Westoz Funds Management Pty Ltd as manager to oversee the investment of its portfolio of assets. The manager is a wholly owned subsidiary of Euroz Limited, a listed company that operates a stockbroking business based in Western Australia.
- The investment mandate 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 billion.
- The manager is paid a base fee of 1% per annum of funds managed. In addition, a performance fee is payable where performance exceeds 10% over a twelve month period to end of June and is calculated at 20% of the performance exceeding the threshold.

# Investment Manager's Report

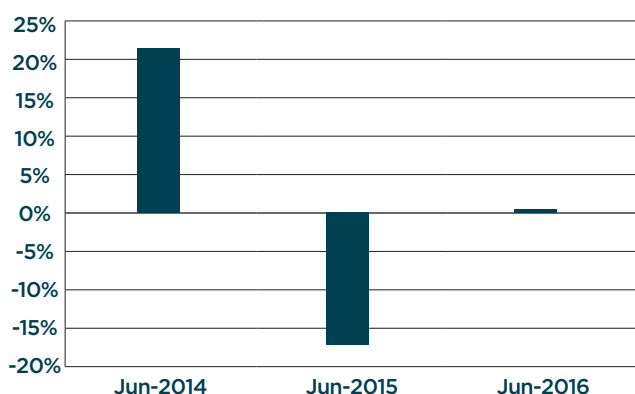
## Portfolio return

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

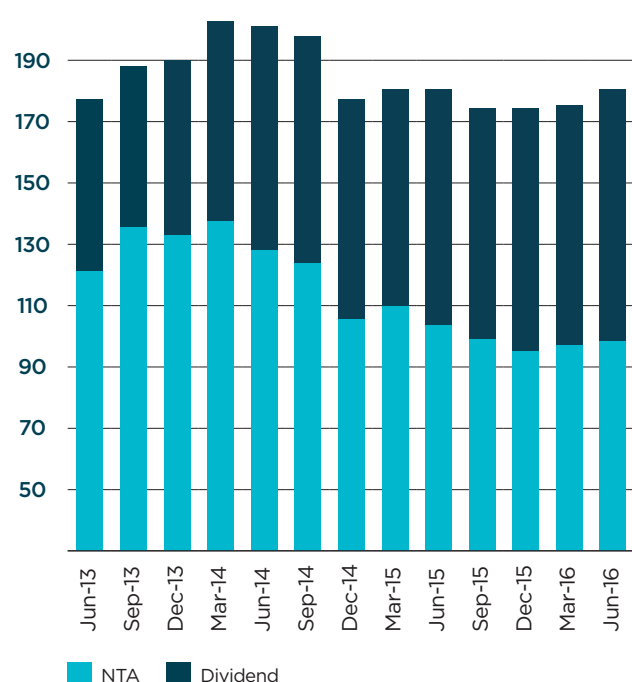
To assist in an assessment of performance, the rate of return before fees and taxes is calculated. The figure is calculated by dividing the gain (or loss) in value of the portfolio, net of external flows, by the average portfolio value over the period of measurement. Portfolio value is determined by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

The overall performance of the portfolio before fees and taxes on this basis over the 2016 financial year was 0.4% (2015: -17.0%). Since inception in 2005, the portfolio has generated an average geometric annual return of 11.2%.

### Portfolio Performance %



### Net assets per share and Dividends (cents)



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

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

Over the twelve months, this number fell from \$1.050 at 30 June 2015 to \$0.990 at 30 June 2016.

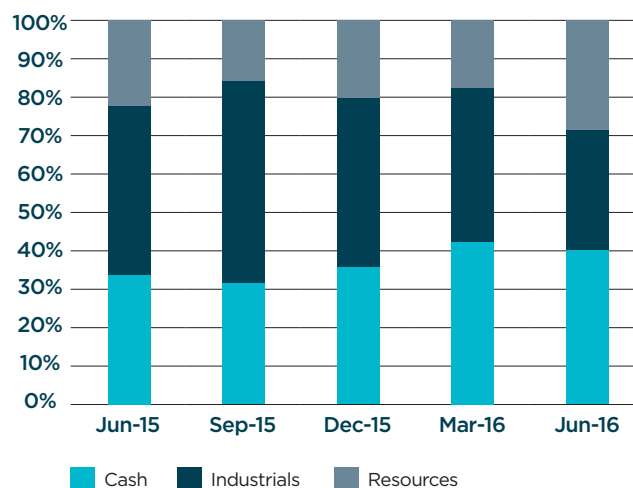
At 30 June 2016, a provision for payment of 3.0 cents per share by way of dividend was made. This dividend is expected to be paid in August 2016. At 30 June 2015 provision for a 4.5 cent per share dividend was made.

## Asset Allocation

Cash levels as a percentage of total assets rose from 33% to 40% over the period. Industrial share exposure fell from 45% to 31%, with Resources showing a corresponding increase.

At years end, investments were held in 29 separate companies.

### Asset Allocation



## Investment Portfolio

Industrials	Share Value	Fair Value at 30 June 2016
ASG Group Limited	2,250,000	2,047,500
Australian Finance Group Ltd	1,000,000	990,000
Automotive Holdings Group Limited	716,270	2,686,013
Cedar Woods Properties Limited	1,790,000	7,697,000
Credit Corp Group Limited	200,000	2,402,000
Empired Ltd	300,000	99,000
EQT Holdings Limited	113,496	1,796,642
Finbar Group Limited	8,177,954	6,665,033
IMF Bentham Limited	3,500,000	5,320,000
NRW Holdings Limited	4,635,276	973,408
Pepper Group Limited	100,358	225,806
Programmed Maintenance Services Limited	2,000,000	3,510,000
Southern Cross Electrical Engineering Ltd	4,561,070	2,508,587
Villa World Limited	780,000	1,622,400
		<b>38,543,389</b>

Resources	Share Value	Fair Value at 30 June 2016
Australis Oil and Gas Limited	7,272,728	1,600,000
Australis Oil and Gas Limited Options	1,136,364	0
AWE Limited	1,416,000	1,175,280
Beach Energy Limited	4,100,000	2,480,500
Capricorn Metals Ltd	5,000,000	725,000
Cooper Energy Limited	6,050,000	1,270,500
Heron Resources Limited	5,000,000	650,000
Independence Group NL	1,300,000	4,251,000
Mount Gibson Iron Limited	34,888,888	8,896,666
Neometals Ltd	2,270,000	1,021,500
OreCorp Limited	6,400,000	1,984,000
Paladin Energy Ltd	7,000,000	1,295,000
Sandfire Resources NL	975,000	5,089,500
Talisman Mining Limited	1,450,000	558,250
Troy Resources Limited	1,300,000	702,000
Western Areas Limited	1,770,000	3,805,500
		<b>35,504,696</b>
<b>Cash, inclusive of outstanding settlements</b>		<b>47,810,004</b>
		<b>121,858,089</b>

## 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. We are confident that investment opportunities will arise that allow us to utilise our significant cash balances to generate our desired returns.

# 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**

**Terry Budge**

**Stephen Tucker**

**Simon Joyner** (appointed 5 July 2016)

**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 Ozgrowth Limited (appointed 9 July 2007). 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 Terry Budge, Independent Non Executive Director

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

### 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 Ozgrowth 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 and a member of the Banking and Finance Oath. He resigned as a Non Executive Director of Vocation Limited on 16 December 2015 (appointed 6 November 2013). He is a Fellow of the Financial Services Institute of Australia and a member of the Australian Institute of Company Directors. Mr Tucker holds a Bachelor of Economics from the University of Western Australia.

### Mr Simon Joyner, Independent Non Executive Director

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

## 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 Of Appointment	Directors' Meetings Attended During Period Of Appointment	Audit Committee Meetings Held During Period Of Appointment	Audit Committee meetings Attended During Period Of Appointment
Philip Rees	11	11	-	-
Jay Hughes	11	11	1	1
Dermot Woods	11	11	-	-
Stephen Tucker	11	11	1	1
Terry Budge	11	10	1	1



## Directors' Report

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

### 4. Operating results

For the period ended 30 June 2016, the Company made an operating profit after tax of \$103,020 (2015: loss of \$19,998,524).

### 5. Dividends

An interim dividend of \$3,877,552 (3.0 cents per share) was paid on 24 February 2016 (2015: \$5,846,271 (4.5 cents per share)).

The Board of Directors has provided for the payment of a further dividend of \$3,875,446 or 3.0 cents per share (2015: \$5,816,307, 4.5 cents per share) in the 30 June 2016 financial statements.

### 6. Review of operations

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

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

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

### 7. Significant changes in state of affairs

There have been no other 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. These options are exercisable at \$1.05 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 other matter or circumstance that has arisen since the balance date that has affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent periods.

### 9. Likely developments and future results

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

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

### 10. Directors' interests

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

Director	Shares	\$1.05 Options
<b>Jay Hughes</b>		
Held directly or indirectly	770,000	60,840
<b>Simon Joyner</b>		
Held directly or indirectly	310,000	30,867
<b>Stephen Tucker</b>		
Held directly or indirectly	314,768	30,260
<b>Terry Budge</b>		
Held directly or indirectly	196,134	19,614

## Directors' Report

### 11. Share options

During the period 12,119,213 options with an exercise price of \$1.30 expired unexercised on 31 August 2015.

As at the date of this report the Company has 12,974,571 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 12,974,571 new ordinary shares in the Company that rank equally with other ordinary shares by the payment of \$1.05 per option at any time up until expiry date of 31 August 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 2001 and the ASX Listing Rules at the time of the reconstruction.

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

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

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

### 13. Remuneration report (audited)

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

The company had no employees during the year ended 30 June 2016 or 30 June 2015. Details of Key Management Personnel are as follows:

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

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

## Directors' Report

### 13. Remuneration report (audited) (continued)

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

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

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

<sup>2</sup> Unexercised \$1.30 options expired on 31 August 2015. The \$1.05 options were issued pursuant to the Bonus Issue prospectus issued on 21 August 2015 to all shareholders. The offer made a bonus issue of one option for every 10 Shares held by shareholders at the record date.

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

As at 30 June 2015	Balance 1 July 2014		Net Change		Balance 30 June 2015	
Director	Shares	\$1.30 Options	Shares <sup>1</sup>	\$1.30 Options <sup>2</sup>	Shares	\$1.03 Options <sup>2</sup>
<b>Philip Rees</b>						
Held directly or indirectly	276,162	-	41,090	-	317,252	-
<b>Jay Hughes</b>						
Held directly or indirectly	514,128	-	-	51,414	514,128	51,414
<b>Dermot Woods</b>						
Held directly or indirectly	110,000	-	8,855	11,000	118,855	11,000
<b>Stephen Tucker</b>						
Held directly or indirectly	297,800	-	2,841	29,780	300,641	29,780
<b>Terry Budge</b>						
Held directly or indirectly	196,134	-	-	19,614	196,134	19,614

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

<sup>2</sup> 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

### 13. Remuneration report (audited) (continued)

Mr Budge and Mr Tucker are the only paid Directors of the Company in the 2015 and 2016 periods. 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	
		Base Fee (\$)	Superannuation (\$)	Total (\$)
<b>S Tucker</b>	2016	50,228	4,772	55,000
	2015	50,035	4,753	54,788
<b>T Budge</b>	2016	55,000	-	55,000
	2015	55,000	-	55,000

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

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

Westoz Funds Management Pty Ltd, a company of which Messrs Rees, Woods, Tucker and Hughes were Directors provides Key Management Personnel ("KMP") services to Westoz Investment Company Limited as it has the authority for the management of the investment portfolio of Westoz Investment Company Limited. Westoz Funds Management Pty Ltd received management fees from the company for the management of its assets. A total (inclusive of performance fees where applicable) of \$1,227,645 (2015: \$1,545,874) was charged in the period for these services. No performance fee was accrued in respect of the 2016 financial year (2015: nil). There is \$111,650 outstanding as at 30 June 2016 (2015: \$121,000). These fees were charged in accordance with a management agreement. Management fee is calculated at 1% per annum of funds managed. A performance fee is payable where performance exceeds 10% over a twelve month period to end of June and is calculated at 20% of the performance exceeding the threshold. The performance fee is based on the above performance condition to be able to link the performance of the company to the services provided by the fund manager.

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

Euroz Securities Limited, a company of which Mr Hughes is a Director received brokerage fees for transactions undertaken by the company in respect of its investments. An amount of \$598,875 was paid in the period (2015: \$652,493) as brokerage to Euroz Securities Limited. There is \$3,498 outstanding as at 30 June 2016 (2015: \$5,743).

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 June 30	EPS (cents)	Share price at balance date (cents)
2012	-5.5	94.0
2013	6.2	106.5
2014	16.6	132.0
2015	-15.5	92.5
2016	0.1	82.5

There are no long term incentives payable.  
(End of Remuneration Report)

### 14. Corporate governance

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

The Auditor's Independence Declaration under section 307C of the Corporations Act 2001 is included on page 12 and forms part of the Westoz Investment Company Limited's report for the year ended 30 June 2016.

### Non-audit services:

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

	\$
Tax Compliance	14,300

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

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



JAY HUGHES

Non Executive Chairman  
Dated: 22 August 2016  
Perth, Western Australia



# Auditor's Independence Declaration



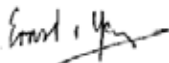
Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843

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


## Auditor's Independence Declaration to the Directors of Westoz Investment Company Limited

As lead auditor for the audit of Westoz Investment Company 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



Ernst & Young



Robert A Kirkby  
Partner  
22 August 2016



# Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Revenue</b>			
Interest revenue		678,690	1,106,532
Dividend revenue		4,100,414	5,073,787
<b>Total revenue</b>		<b>4,779,104</b>	<b>6,180,319</b>
Changes in the fair value of investments designated at fair value through profit or loss upon initial recognition	4	(4,803,616)	(34,890,635)
		<b>(24,512)</b>	<b>(28,710,316)</b>
<b>Expenses</b>			
Management fees	15(b)	1,227,645	1,545,874
Director fees		110,846	109,788
Professional fees		92,968	95,644
Share Registry Costs		53,776	63,339
Other expenses	6	89,838	93,239
<b>Total expenses</b>		<b>1,575,073</b>	<b>1,907,884</b>
<b>(Loss)/profit before income tax expense</b>		<b>(1,599,585)</b>	<b>(30,618,200)</b>
Income tax credit	7	1,702,604	10,619,676
<b>NET PROFIT/LOSS ATTRIBUTABLE TO MEMBERS OF THE COMPANY</b>		<b>103,019</b>	<b>(19,998,524)</b>
<b>Other Comprehensive Income</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME/LOSS FOR THE PERIOD</b>		<b>103,019</b>	<b>(19,998,524)</b>
<b>Earnings/(Loss) per share (cents)</b>			
> Basic and Diluted	16	0.1	(15.5)

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	2016 \$	2015 \$
<b>Current Assets</b>			
Cash and Cash Equivalents	19(a)	48,878,554	45,675,051
Other Current Assets	9	47,789	476,378
<b>TOTAL CURRENT ASSETS</b>		<b>48,926,343</b>	<b>46,151,429</b>
<b>Non-Current Assets</b>			
Investments in financial assets designated at fair value through profit or loss:			
> Listed Equities	5	72,448,085	89,158,894
> Unlisted Equities	5	1,600,000	-
Deferred tax Assets	7	9,900,169	8,197,566
<b>TOTAL NON CURRENT ASSETS</b>		<b>83,948,254</b>	<b>97,356,460</b>
<b>TOTAL ASSETS</b>		<b>132,874,597</b>	<b>143,507,889</b>
<b>Current Liabilities</b>			
Trade and Other Payables	10	1,069,801	2,033,343
Dividend Payable	8	3,875,446	5,816,307
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,945,247</b>	<b>7,849,650</b>
<b>NET ASSETS</b>		<b>127,929,350</b>	<b>135,658,239</b>
<b>Equity</b>			
Contributed Equity	11	138,515,627	138,594,536
Profit Reserve	12	18,190,911	25,943,910
Accumulated Loss	13	(28,777,188)	(28,880,207)
<b>TOTAL EQUITY</b>		<b>127,929,350</b>	<b>135,658,239</b>

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

# Cash Flow Statement

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		678,690	1,106,532
Dividends received		4,100,414	5,073,787
Payments to suppliers and employees (inclusive of GST)		(1,573,147)	(1,632,942)
Income tax paid		-	(1,614,835)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>19(B)</b>	<b>3,205,957</b>	<b>2,932,542</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investments designated as at fair value through profit or loss		97,417,445	111,935,903
Payments for purchases of investments designated as at fair value through profit or loss		(87,647,130)	(93,588,600)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>9,770,315</b>	<b>18,347,303</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of ordinary shares, net of issue costs		(24,212)	1,392,923
Share Buyback		(54,697)	-
Dividends paid		(9,693,860)	(11,612,733)
<b>NET CASH FLOWS (USED IN) FINANCING ACTIVITIES</b>		<b>(9,772,769)</b>	<b>(10,219,810)</b>
<b>NET INCREASE IN CASH HELD</b>		<b>3,203,503</b>	<b>11,060,035</b>
Cash and cash equivalents at the beginning of the period		45,675,051	34,615,016
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>19(A)</b>	<b>48,878,554</b>	<b>45,675,051</b>

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



# Statement Of Changes In Equity

**As at 30 June 2016**

	Contributed Equity \$	Profit Reserve \$	Accumulated Losses \$	Total Equity \$
<b>AT 1 JULY 2015</b>	<b>138,594,536</b>	<b>25,943,910</b>	<b>(28,880,207)</b>	<b>135,658,239</b>
Profit for the year	-	-	103,019	103,019
Total Comprehensive Income for the year	-	-	103,019	103,019
Transactions with owners in their capacity as owners:				
Movement in Share Capital	(78,909)	-	-	(78,909)
Dividends for the Year	-	(7,752,999)	-	(7,752,999)
<b>AT 30 JUNE 2016</b>	<b>138,515,627</b>	<b>18,190,911</b>	<b>(28,777,188)</b>	<b>127,929,350</b>
<b>AT 1 JULY 2014</b>	<b>137,201,613</b>	<b>37,606,490</b>	<b>(8,881,683)</b>	<b>165,926,420</b>
Loss for the year	-	-	(19,998,524)	(19,998,524)
Total Comprehensive Income for the year	-	-	(19,998,524)	(19,998,524)
Transactions with owners in their capacity as owners:				
Movement in Share Capital	1,392,923	-	-	1,392,923
Dividends for the Year	-	(11,662,580)	-	(11,662,580)
<b>AT 30 JUNE 2015</b>	<b>138,594,536</b>	<b>25,943,910</b>	<b>(28,880,207)</b>	<b>135,658,239</b>

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



2016

**Notes to the Financial Statements**

For the year ending 30 June

# Notes to the Financial Statements

For the year ended 30 June 2016

## 1. Corporate information

The financial report of Westoz Investment Company Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 22 August 2016.

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

Westoz Investment Company Limited does not control any entities at 30 June 2016.

The Company had no paid 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 financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

The Company has adopted new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 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.

## Notes to the Financial Statements

Reference	Title	Summary	Impact on Company	Application date of standard	Application date for the Company
AASB 9	<i>Financial Instruments</i>	<p>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.</p> <p>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.</p> <p><b>Classification and measurement</b></p> <p>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.</p> <p>The main changes are described below.</p> <p><b>Financial assets</b></p> <ol style="list-style-type: none"> <li>Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</li> <li>Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</li> <li>Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</li> </ol> <p><b>Financial liabilities</b></p> <p>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.</p>	The Company is in the process of assessing the impact of the amendments	1 January 2018	1 July 2018



## Notes to the Financial Statements

Reference	Title	Summary	Impact on Company	Application date of standard	Application date for the Company
AASB 9	<i>Financial Instruments</i>	<p>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>➤ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>➤ The remaining change is presented in profit or loss</li> </ul> <p>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.</p> <p><b>Impairment</b></p> <p>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.</p> <p><b>Hedge accounting</b></p> <p>Amendments to AASB 9 (December 2009 &amp; 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.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 - Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>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.</p>	The Company is in the process of assessing the impact of the amendments	1 January 2018	1 July 2018

## Notes to the Financial Statements

Reference	Title	Summary	Impact on Company	Application date of standard	Application date for the Company
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	<p>AASB 116 <i>Property Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> 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.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The 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.</p>	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	<p>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.</p> <p>The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.</p>	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	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p><i>AASB 5 Non-current Assets Held for Sale and Discontinued Operations:</i></p> <ul style="list-style-type: none"> <li>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.</li> </ul> <p><i>AASB 7 Financial Instruments: Disclosures:</i></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	The Company is in the process of assessing the impact of the amendments	1 January 2016	1 July 2016

## Notes to the Financial Statements

Reference	Title	Summary	Impact on Company	Application date of standard	Application date for the Company
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	<ul style="list-style-type: none"> <li>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 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.</li> </ul> <p><i>AASB 119 Employee Benefits:</i></p> <ul style="list-style-type: none"> <li>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.</li> </ul> <p><i>AASB 134 Interim Financial Reporting:</i></p> <ul style="list-style-type: none"> <li>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.</li> </ul>	The Company is in the process of assessing the impact of the amendments	1 January 2016	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> 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

## Notes to the Financial Statements

Reference	Title	Summary	Impact on Company	Application date of standard	Application date for the Company
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 <i>Income Taxes</i> (July 2004) and AASB 112 <i>Income Taxes</i> (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 <i>Statement of Cash Flows</i> (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

## Notes to the Financial Statements

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

#### (d) 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 investments 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 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 the profit or loss.

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

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

#### (e) Cash and cash equivalents

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

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

#### (f) Income tax

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

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

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



## Notes to the Financial Statements

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

#### (f) Income tax (continued)

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

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

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

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

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

#### (g) Other taxes

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

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

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

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

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

#### (h) Revenue recognition

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

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

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

#### (i) Trade and other payables

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

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

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

#### (j) Contributed equity

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

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

#### (k) Earnings per share

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

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

## Notes to the Financial Statements

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

#### (l) Trade and other receivables

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

#### (m) Dividends

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

#### (n) Performance fees

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

#### (o) Due to and from brokers

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

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

### (p) Significant accounting judgements, estimates and assumptions

#### Taxes

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

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

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

### 3. Segment information

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

The Company operated in one geographical area being Australia.

## Notes to the Financial Statements

### 4. Changes in fair value of investments

	2016	2015
	\$	\$
Net realised (loss) / gain on disposal of investments – listed equities	(5,918,864)	(9,586,103)
Net unrealised gain / (loss) on investments – listed equities	1,115,249	(25,304,532)
	<b>(4,803,615)</b>	<b>(34,890,635)</b>

The total number of contract notes that were issued for transactions during the financial year was 830 (2015: 828). The total brokerage paid on these contract notes was \$672,136 (2015: \$701,210).

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

	30 June 2015			Total
	Valued at Quoted market price (Level 1)	Valuation technique market observable inputs (Level 2)	Valuation technique non – market observable inputs (Level 3)	
<b>Financial assets at fair value through profit or loss</b>				
(i) Listed equities	89,158,894	-	-	89,158,894
	<b>89,158,894</b>	<b>-</b>	<b>-</b>	<b>89,158,894</b>

## Notes to the Financial Statements

### 5. Fair value of financial instruments (continued)

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

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

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

## Notes to the Financial Statements

### 6. Other expenses

	2016	2015
	\$	\$
<b>Expenses</b>		
Printing and Reproduction	7,399	10,624
ASX Fees	57,751	59,802
Marketing	9,400	18,245
Other	15,287	4,568
	<b>89,838</b>	<b>93,239</b>

### 7. Income tax

The major components of income tax expense are:

	2016	2015
	\$	\$
<b>Statement of comprehensive income</b>		
<i>Current Income Tax</i>		
Current income tax charge/(benefit)	-	(11,438)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(1,702,604)	(10,608,238)
<b>Income tax expense reported in statement of comprehensive income</b>	<b>(1,702,604)</b>	<b>(10,619,676)</b>

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:

	2016	2015
	\$	\$
Accounting / profit before tax	(1,599,584)	(30,618,200)
Tax at the statutory income tax rate of 30% (2015: 30%)	(479,875)	(9,185,460)
Tax effect of franking credits	(1,746,754)	(2,038,666)
Tax effect of amounts which are not taxable in calculating taxable income	524,025	604,450
<b>Income tax credit</b>	<b>(1,702,604)</b>	<b>(10,619,676)</b>

## Notes to the Financial Statements

### 7. Income tax (continued)

#### 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
	\$	\$	\$	\$
<i>Deferred Tax Assets</i>				
Tax loss recognised	5,054,056	3,016,878	(2,037,178)	(3,016,878)
Unrealised gain/(loss) on investments in financial assets	4,846,113	5,180,688	334,574	(5,180,688)
<b>Total DTA</b>	<b>9,900,169</b>	<b>8,197,566</b>	<b>(1,702,604)</b>	<b>(8,197,566)</b>
<i>Deferred Tax Liabilities</i>				
Unrealised gain on investments in financial assets	-	-	-	(2,410,672)
<b>Total DTL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,410,672)</b>
<b>Net (DTL)/DTA</b>	<b>9,900,169</b>	<b>8,197,566</b>	<b>(1,702,604)</b>	<b>(10,608,238)</b>

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

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

	2016	2015
	\$	\$
<b>Ordinary Shares</b>		
A Final dividend of 3.0 cents per share has been declared and provided for at 30 June 2016 (2015 – 4.5 cents)	3,875,446	5,816,307
An interim dividend of 3.0 cent per share has been declared and paid for on 24 February 2016 (2015 – 4.5 cents)		
Fully franked based on tax paid or payable at 30%	3,877,552	5,846,271
	<b>7,752,998</b>	<b>11,662,578</b>
<b>Franking Credit Balance</b>		
Franking credits available at the end of the financial year at 30% (2015 – 30%)	7,249,102	9,656,859
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
Franking debits that will arise by the payment of dividends as at the end of the financial year	(1,660,906)	(2,492,703)
	<b>5,588,196</b>	<b>7,164,156</b>

## Notes to the Financial Statements

### 9. Other current assets

	2016	2015
	\$	\$
Outstanding sale settlements	-	428,160
GST Receivable	47,789	48,218
	47,789	476,378

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

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

### 10. Trade and other payables (current)

	2016	2015
	\$	\$
Trade Payables	191,334	189,838
Outstanding purchase settlements	878,466	1,843,505
	1,069,800	2,033,343

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

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

### 11. Contributed equity

	2016	2015
	\$	\$
<b>(a) Contributed equity</b>		
129,181,548 fully paid ordinary shares (2015: 129,251,273 fully paid ordinary shares)	138,515,628	138,594,536

	2016		2015	
	Number of Shares	\$	Number of Shares	\$
<b>(b) Movements in ordinary shares on Issue</b>				
Beginning of the financial period	129,251,273	138,594,537	128,143,569	137,201,614
Issued during the period				
- Dividend Reinvestment Plan	-	-	438,625	570,213
- Option Exercise	275	326	669,079	869,803
- Share Buyback	(70,000)	(54,697)	-	-
Equity Raising Costs	-	(24,538)	-	(47,093)
	129,181,548	138,515,628	129,251,273	138,594,537



## Notes to the Financial Statements

### 11. Contributed equity (continued)

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

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

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

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

#### (d) Options

During the period 12,119,213 options with a \$1.30 strike price expired.

At balance date there were 12,904,671 options outstanding. The options were issued pursuant to the Bonus Issue prospectus issued on 2 September 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 12,974,671 new ordinary shares in the Company that rank equally with other ordinary shares by the payment of \$1.05 per option at any time up until expiry date of 31 August 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.

#### (e) Capital Management

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

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

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

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

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

### 12. Reserves

	2016	2015
	\$	\$
Profit Reserve	18,190,911	25,943,910
	18,190,911	25,943,910
The profit reserve is made up of amounts allocated from retained earnings that are preserved for future dividend payments.		
Movement in Profits Reserve		
Balance at beginning of the year	25,943,910	37,606,490
Provision for dividend	(7,752,999)	(11,662,580)
	18,190,911	25,943,910

## Notes to the Financial Statements

### 13. Accumulated loss

	2016	2015
	\$	\$
Balance at beginning of the year	(28,880,207)	(8,881,683)
Profit/(Loss) for the year attributable to members	103,019	(19,998,524)
	(28,777,188)	(28,880,207)

### 14. Auditors' remuneration

	2016	2015
	\$	\$
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 disclosure

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

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

Mr Budge and Mr Tucker are the only paid Directors of the Company in the financial year. The total remuneration payable for the financial period is \$110,000 (2015: \$109,788) of which \$105,228 was a short term benefit (2015: \$105,035) and \$4,772 was post-employment benefit (2015:\$4,753).

#### (b) Transactions with Directors or Director related entities

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

Westoz Funds Management Pty Ltd, a company of which Messrs Rees, Woods, Tucker and Hughes were Directors provides Key Management Personnel ("KMP") services to Westoz Investment Company Limited as it has the authority for the management of the investment portfolio of Westoz Investment Company Limited. Westoz Funds Management Pty Ltd received management fees from the Company for the management of its assets. A total (inclusive of performance fees where applicable) of \$1,227,645 (2015: \$1,545,874) was charged in the period for these services. No performance fee was accrued in respect of the period (2015: nil). There is \$111,650 outstanding as at 30 June 2016 (2015: \$121,000). These fees were charged in accordance with a management agreement. Management fee is calculated at 1% per annum of funds managed. A performance fee is payable where performance exceeds 10% over a twelve month period to end of June and is calculated at 20% of the performance exceeding the threshold.

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

Euroz Securities Limited, a company of which Mr Hughes was a Director received fees for brokerage on transactions undertaken by the Company in respect of its investments. An amount of \$598,876 was paid in the period (2015: \$652,493) as brokerage to Euroz Securities Limited. There is \$3,498 outstanding as at 30 June 2016 (2015: \$5,743). Euroz Securities also provides nominee and custodial services for the Company. No fees were paid in relation to these services in the period (2015: nil).

The above transactions were entered into on normal commercial terms.

#### (c) Ultimate parent

Westoz Investment Company Limited is the ultimate Australian parent company.

#### (d) Other related party transactions

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

## Notes to the Financial Statements

### 16. Earnings per share

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

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

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

	2016	2015
	\$	\$
Net profit/(loss) attributable to ordinary equity holders of the Company used in calculating basic earnings per share and diluted earnings per share	103,020	(19,998,524)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings and diluted per share	129,242,307	129,112,393
Basic earnings / (loss) per share (cents)	0.1	(15.5)
Diluted earnings / (loss) per share (cents)	0.1	(15.5)

The Company has on issue 12,974,571 options. These options are exercisable into 12,974,571 new ordinary shares that rank equally with other ordinary shares by the payment of \$1.05 per option at any time up until expiry date of 31 August 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 approximate Bonus Options to shareholders in the ratio of 1 Bonus Option for every 10 Ordinary shares held. These options will be exercisable at \$1.05 at any time on or before 31 August 2017.

As at 31 July 2016, the All Ordinaries Accumulation Index (being an indication of a general move in the equity market) had 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.

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

#### (a) Reconciliation of cash

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

	2016	2015
	\$	\$
Cash at Bank and in hand	48,878,554	45,675,051
	48,878,554	45,675,051

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

The fair value of cash and cash equivalents is \$48,878,554 (2015: \$45,675,051). Of the total cash and cash equivalents held at 30 June 2016, \$46,688,470 was held in the investment portfolio. The balance of the cash amount shown in the portfolio represents net settlements outstanding.

## Notes to the Financial Statements

### 19. Notes to the statements of cash flow (continued)

#### (b) Reconciliation from the net profit after income tax to net cash flows generated from operating activities

	2016	2015
	\$	\$
Net profit after tax	103,020	(19,998,524)
<b>Adjustment for Non-Cash Items:</b>		
<b>Items classified as Investing</b>		
Unrealised (profit)/loss on shares	(1,115,249)	25,304,532
Realised (profit)/loss on shares	5,918,864	9,586,103
<b>Changes in Assets and Liabilities:</b>		
Increase/(Decrease) in trade and other payables	1,496	(19,066)
Increase in other assets	430	294,007
(Decrease) / Increase in tax payable	-	(1,626,272)
(Decrease) / Increase in deferred tax liabilities	(1,702,604)	(10,608,238)
<b>Net Cash used in Operating Activities</b>	<b>3,205,957</b>	<b>2,932,542</b>

#### (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 (30 June 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 balance and other current assets. Cash deposits were held with an institution covered under the Banking Act 1959 with a rating from Standard & Poors of AA- (long term) and A-1+ (short term). Listed equities were held under a nominee arrangement with Euroz Securities Limited which operates and maintains required prudential matters under an Australian Financial Services Licence. The Company has no past due or impaired debtors as at 30 June 2016.

## Notes to the Financial Statements

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

#### Market risk

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

The following risk control features are in place:

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

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

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

Investment Portfolio					
Industrials	Shares	Fair Value at 30 June 2016	Resources	Shares	Fair Value at 30 June 2016
ASG Group Limited	2,250,000	2,047,500	Australis Oil and Gas Limited	7,272,728	1,600,000
Australian Finance Group Ltd	1,000,000	990,000	Australis Oil and Gas Limited Options	1,136,364	0
Automotive Holdings Group Limited	716,270	2,686,013	AWE Limited	1,416,000	1,175,280
Cedar Woods Properties Limited	1,790,000	7,697,000	Beach Energy Limited	4,100,000	2,480,500
Credit Corp Group Limited	200,000	2,402,000	Capricorn Metals Ltd	5,000,000	725,000
Empired Ltd	300,000	99,000	Cooper Energy Limited	6,050,000	1,270,500
EQT Holdings Limited	113,496	1,796,642	Heron Resources Limited	5,000,000	650,000
Finbar Group Limited	8,177,954	6,665,033	Independence Group NL	1,300,000	4,251,000
IMF Bentham Limited	3,500,000	5,320,000	Mount Gibson Iron Limited	34,888,888	8,896,666
NRW Holdings Limited	4,635,276	973,408	Neometals Ltd	2,270,000	1,021,500
Pepper Group Limited	100,358	225,806	OreCorp Limited	6,400,000	1,984,000
Programmed Maintenance Services Limited	2,000,000	3,510,000	Paladin Energy Ltd	7,000,000	1,295,000
Southern Cross Electrical Engineering Ltd	4,561,070	2,508,587	Sandfire Resources NL	975,000	5,089,500
Villa World Limited	780,000	1,622,400	Talisman Mining Limited	1,450,000	558,250
			Troy Resources Limited	1,300,000	702,000
			Western Areas Limited	1,770,000	3,805,500
<b>Total Industrials</b>		<b>38,543,389</b>	<b>Total Resources</b>		<b>35,504,696</b>
			<b>Cash, inclusive of outstanding settlements</b>		<b>47,810,004</b>
			<b>Total</b>		<b>121,858,089</b>

## Notes to the Financial Statements

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

#### Interest rate risk

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

The Company's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash and short term deposits. The total cash balance at 30 June 2016 was \$48,878,554 (2015: \$45,675,051). 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 \$48,878,554 (2015: \$45,675,051) were held at call. No interest was recorded as a receivable (2015: \$nil).

The following table demonstrates the sensitivity of the Company's Statement of Comprehensive Income to a reasonably possible change in interest rates, with all other variables constant. The change in basis points is derived from a review of historical movements and management's judgement on future trends. The analysis is performed on the same basis for 2015.

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

		2015		2015	
Change in Basis Points		Effect on Pre Tax Profit (\$)		Effect on Equity including retained earnings (\$)	
Increase	Decrease	Increase	Decrease	Increase	Decrease
50	50	228,500	(228,500)	159,950	(159,950)

#### Equity price risk

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

The effect on the statement of comprehensive income due to a reasonably possible change in market factors, as represented by the equity indices, with all other factors held constant and assuming the Company's equity portfolio moves in direct concert with the equity indices, is indicated in the table below. The change in index level is derived from a review of historical movements. The analysis is performed on the same basis for 2015.

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

		2015	2015
Index	Change in Index	Effect on Pre Tax Profit (\$)	Effect on Equity including retained earnings (\$)
ASX Small Ordinaries Index	Increase 10% (Decrease 10%)	8,920,000/(8,920,000)	6,244,000/(6,244,000)

# Directors' Declaration

---

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

**1. In the opinion of the Directors:**

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

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

On behalf of the Board



**JAY HUGHES**

Non Executive Chairman

Dated: 22 August 2016



# Independent Auditor's Report



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

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

## Independent auditor's report to the shareholders of Westoz Investment Company Limited

### Report on the financial report

We have audited the accompanying financial report of Westoz Investment Company 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.

## Independent Auditor's Report



### Opinion

In our opinion:

- a. the financial report of Westoz Investment Company Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the company's financial position as at 30 June 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 Westoz Investment Company Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'Ernst &amp; Young', is positioned above the company name.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Robert A Kirkby', is positioned above the name.

Robert A Kirkby  
Partner  
Perth  
22 August 2016

# 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
<b>Issued Capital</b>				
<b>Distribution of Holdings</b>				
1-5,000	337	866,601	833	1,808,795
5,001-10,000	262	2,156,521	146	1,093,281
10,001-100,000	736	26,167,007	127	3,102,128
100,001 and over	137	99,990,652	14	6,900,367
<b>TOTAL Holders</b>	<b>1,472</b>	<b>129,180,781</b>	<b>1,120</b>	<b>12,904,571</b>

### b) Top holders

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

No	Shareholder	Shares	%
1	ZERO NOMINEES PTY LTD	37,769,346	29.2%
2	RBC INVESTOR SERVICES	8,771,699	6.8%
3	ICE COLD INVESTMENTS PTY LTD	4,397,385	3.4%
4	J P MORGAN NOMINEES AUSTRALIA	3,932,450	3.0%
5	ICE COLD INVESTMENTS PTY LTD	3,733,154	2.9%
7	HEYS FAMILY HOLDINGS PTY LTD	3,029,051	1.9%
6	MR VICTOR JOHN PLUMMER	2,500,000	2.3%
8	HSBC CUSTODY NOMINEES	1,880,081	1.5%
9	ROLLASON PTY LTD	1,619,027	1.3%
10	ICE COLD INVESTMENTS PTY LTD	1,120,000	0.9%
11	SUPERLAND INVESTMENTS PTY LTD	1,063,019	0.8%
12	HARMANIS HOLDINGS PTY LTD	894,214	0.7%
13	REDBROOK NOMINEES PTY LTD	780,000	0.6%
14	PERTH CAPITAL PTY LTD	750,000	0.6%
15	WARRAMBOO HOLDINGS PTY LTD	750,000	0.6%
16	TSIX PTY LTD	700,000	0.5%
17	LYREBIRD PTY LTD	654,482	0.5%
18	NAVIGATOR AUSTRALIA LTD	631,785	0.5%
19	CAMELIA PTY LTD	629,957	0.5%
20	ACRES HOLDINGS PTY LTD	600,000	0.5%
<b>Total</b>		<b>76,205,650</b>	<b>59.0%</b>
<b>Remainder</b>		<b>52,975,998</b>	<b>41.0%</b>
<b>Grand Total</b>		<b>129,181,648</b>	<b>100.0%</b>

## Shareholder Information

### b) Top holders (continued)

The twenty largest holders of options exercisable at \$1.05 cents per share, expiry date 31 August 2016 are listed below:

No	Shareholder	Options	%
1	ZERO NOMINEES PTY LTD	3,677,842	28.5%
2	RBC INVESTOR SERVICES	445,967	3.5%
3	ICE COLD INVESTMENTS PTY LTD	439,739	3.4%
4	J P MORGAN NOMINEES AUSTRALIA	394,485	3.1%
5	ICE COLD INVESTMENTS PTY LTD	373,316	2.9%
7	HEYS FAMILY HOLDINGS PTY LTD	278,906	2.2%
6	MR VICTOR JOHN PLUMMER	250,000	1.9%
8	HSBC CUSTODY NOMINEES	235,070	1.8%
9	MIRRABOOKA INVESTMENTS LIMITED	162,487	1.3%
10	ROLLASON PTY LTD	161,903	1.3%
11	MR DENNIS CARDAKARIS	159,262	1.2%
12	ICE COLD INVESTMENTS PTY LTD	112,000	0.9%
13	CYBERTOP PTY LTD	107,200	0.8%
14	SUPERLAND INVESTMENTS PTY LTD	102,190	0.8%
15	HARMANIS HOLDINGS PTY LTD	89,422	0.7%
16	REDBROOK NOMINEES PTY LTD	78,000	0.6%
17	PERTH CAPITAL PTY LTD	75,000	0.6%
18	WARRAMBOO HOLDINGS PTY LTD	75,000	0.6%
19	MR GRAHAM JOHN EDMUND SCOTT	70,000	0.5%
20	LYREBIRD PTY LTD	65,449	0.5%
	<b>Total</b>	<b>7,353,238</b>	<b>57.0%</b>
	<b>Remainder</b>	<b>5,551,333</b>	<b>43.0%</b>
	<b>Grand Total</b>	<b>12,904,571</b>	<b>100.0%</b>

### c) Shareholders with greater than 5%

As at 31 July 2016 the Company had 3 shareholders with greater than 5% of the issued ordinary share capital:

Shareholder	Shares	%
Euroz Limited	33,938,064	26.3%
Geoffrey Francis Brown	8,930,850	6.9%
Wilson Asset Management Group	8,753,144	6.8%



**WESTOZ**  
INVESTMENT COMPANY LIMITED

Level 18 Alluvion  
58 Mounts Bay Road  
PERTH WA 6000

PO Box Z5036  
St Georges Terrace  
Perth 6831  
Western Australia

T: +61 8 9321 7877  
F: +61 8 9321 8288  
[westozfunds.com.au](http://westozfunds.com.au)

Westoz Investment Company Limited  
ACN 113 332 942