**TEMPLETON GLOBAL GROWTH FUND LTD.**
A.B.N. 44 006 558 149

Level 19, 101 Collins Street
Melbourne, Victoria 3000

Telephone : (03) 9603 1207
Facsimile : (03) 9603 1299

The Secretary
Australian Stock Exchange Limited
Exchange Centre
Level 4
20 Bridge Street
Sydney NSW 2000

Dear Sirs,

**Re: Preliminary Final Report for the Year Ended 30 June 2013**

Templeton Global Growth Fund Ltd is pleased to provide its preliminary final report to the ASX as required under listing rule 4.3A, including:

- Results for Announcement to the Market
- Directors' Report
- Financial Statements
- Auditor's Report
- Investment Manager's Report
- List of Investments

Yours Faithfully,

Templeton Global Growth Fund Ltd.

**Martin F. Warwick**
Company Secretary
28 August 2013

# Appendix 4E

## Templeton Global Growth Fund Ltd ("TGG")

**ABN 44 006 558 149**

Preliminary Final Report
Provided to the ASX under listing rule 4.3A

### Reporting Period

The financial information contained within this report pertains to the reporting period 1 July 2012 to 30 June 2013 and is drawn from the audited financial statements of the Company for the year then ended. Comparative information pertains to the previous corresponding period ("pcp") 1 July 2011 to 30 June 2012.

### Results for Announcement to the Market

| | 2013<br>$ | 2012<br>$ | Increase / (Decrease) | Change<br>% |
|---|---|---|---|---|
| **Revenue** | 4,158,354 | 4,288,486 | (130,132) | (3.0) |
| **Profit from ordinary activities after tax attributable to members** | 1,365,959 | 1,511,368 | (145,409) | (9.6) |
| **Net profit attributable to members** | 1,365,959 | 1,511,368 | (145,409) | (9.6) |
| **Other comprehensive income** | 43,734,993** | (17,827,811)* | 62,928,057 | N/A |
| **Total comprehensive income** | 45,100,952** | (16,316,443)* | 61,417,395 | N/A |

*Other comprehensive income and total comprehensive for the year ended 30 June 2012 included a deferred tax asset derecognition amount of $10,442,241.
** Other comprehensive income and total comprehensive for the year ended 30 June 2013 included a deferred tax asset re-recognition amount of $10,442,241.

### Dividends

In the reporting period, a 1.5 cent per share, fully franked, final dividend in respect of the financial year ended 30 June 2012 was paid in September 2012.

No interim dividend was paid.

In respect of the financial year ended 30 June 2013 the Directors have resolved to declare a 2.5 cent per share final dividend which will be fully franked. The record date for the final dividend is 13 September 2013.

The 2.5 cent per share final dividend for the year ended 30 June 2013 will be paid to shareholders on 27 September 2013. The dividend will be fully franked and paid in part out of retained profits as at 30 June 2013 and in part out of net realised capital gains accrued during the 2013 financial year.

**Additional explanation**

At 30 June 2012 and after evaluating an independent report on expected returns on the Company's unhedged portfolio of investments and in accordance with the Directors' interpretation of Australian accounting standard *AASB 112 Income Taxes,* a judgment was made to derecognise $10,442,241, or about half of the previously recognised amount of the Company's deferred tax asset ("DTA").

Due to increased stability and appreciation in global share markets and a devaluation of the Australian Dollar against most major currencies, returns on the Company's portfolio of investments have been higher than anticipated in the independent experts report commissioned prior to 30 June 2012. As a result the Directors have as of 30 June 2013 resolved to re-recognise in the financial statements the $10,442,241 of DTA written of at 30 June 2012.

The re-recognition of part of the DTA does not impact:

- the valuation of the Company's net tangible assets as disclosed to the ASX on a monthly basis
- the Company's ability to utilise 100% of its tax losses in the future.

The Company assesses the carrying amount of the DTA at each 6 monthly reporting date.

The DTA balance, on the balance sheet at 30 June 2013, is $6,602,234.

**Dividend Reinvestment**

The Company operates a dividend reinvestment plan (DRP). The DRP offers shareholders the opportunity to reinvest part or all of their dividend payments at a discount of 2.5% to market price as determined under the DRP rules. Specifically the discount is calculated as 97.5% of fully paid ordinary shares sold on the ASX on the first day on which those shares are quoted ex-dividend and the following four business days.

Shareholders wishing to participate in the DRP in respect of the dividend to be paid on 27 September 2013 and who are not already enrolled in the DRP program, should ensure their election to do so is received by the Company's share registrar by 13 September 2013.

Shares issued under the DRP will rank equally with existing shares for future dividends.

**Net Tangible Assets Per Security**

Net tangible assets per security at the end of the period were 118 cents compared to 86 cents per security at the end of the pcp.

**Controlled Entities**

The Company at no time in the reporting period or in the previous corresponding reporting period gained or lost control of an entity. The Company has no controlled entities.

**Associates and Joint Ventures**

The Company at no time in the reporting period or in the previous corresponding reporting period had any associate or joint venture relationships.

**Audit**

The Company's auditors are PricewaterhouseCoopers. There are no items in dispute with the auditors. The audit report on the financial report for the year ended 30 June 2013 is unqualified.

The Directors of Templeton Global Growth Fund Ltd ("the Company") submit their report for the year ended 30 June 2013.

## DIRECTORS

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

### Names, qualifications, experience and special responsibilities

#### JAMES A. (TONY) KILLEN, OAM, BA., FAIM, FAICD – Non-Executive Chairman

Appointed as a Director in March 2003. Appointed Chairman on 24 October 2012. Chairman of the Review Committee. Member of the Audit Committee. Chairman of Equity Trustees Limited. Former roles included Group Managing Director and Chief Executive Officer of Axa Asia Pacific Holdings Limited, Chairman of St Vincents and Mercy Private Hospital Ltd, St Vincents Hospital Melbourne Ltd, Caritas Christi Hospice Ltd and Prague House Ltd. Mr. Killen was also Chairman of Sisters of Charity Health Service Ltd and Sisters of Charity Healthcare Australia Ltd. He is Chairman of CCI Asset Management Ltd and a Director of Catholic Church Insurance Ltd.

During the past three years. Mr. Killen has also served as a director of the following other listed companies:

- IRESS Market Technology Ltd (resigned May 2011)

#### DAVID A. WALSH, LLB – Non-Executive Chairman (Retired 24 October 2012)

Appointed as a Director in August 1998. Appointed Chairman in September 1999. Non-Executive Director of the Company. Chairman of the Review Committee. Chairman of Macquarie Atlas Roads Ltd. Non-executive Director of Macquarie Atlas Roads International Ltd. Former partner of Mallesons Stephen Jaques, Solicitors, Melbourne. Previous roles have included a director of Malcolm Moore Industries Ltd, Asia Pacific Specialty Chemicals Ltd, Dyno Nobel Ltd and PaperlinX Ltd.

During the past three years Mr. Walsh has also served as a director of the following other listed companies:

- Intoll Management Ltd (previously Macquarie Infrastructure Investment Management Ltd), the responsible entity for Intoll Group (previously Macquarie Infrastructure Group) (appointed March 2004 – resigned December 2010)

#### GREGORY E. McGOWAN, JD – Non-Executive Director

Appointed as a Director in January 1999. Non-Executive Director of the Company. Director, Executive Vice President, and General Counsel of Templeton International Inc., Director of Franklin Templeton Investments Australia Limited.

#### JENNIFER JOHNSON, BA (Economics) – Non-Executive Director

Appointed as a Director on 7 September 2007. Non-executive Director of the Company. Chief Operating Officer for Franklin Resources Inc. A member of The Board of Keynote Systems Inc.

**MICHAEL E. BARTLETT, MA (Cantab.), BA Dip Ed (Melbourne), MAICD – Non-Executive Director**
Appointed as a Director on 15 September 2011. Member of the Review and Audit Committees. Currently Head of Sales for S.G. Hiscock & Co with responsibility for marketing of Australian Equity Funds. Former roles include, Executive Director at K2 Asset Management. Senior roles at Morgan Stanley Asia Limited, Hong Kong including Vice President, Institutional Equity Sales, Head of Asian Institutional Equity Sales and as an Executive Director. Executive Director, Head of Institutional Equity Sales, Morgan Stanley Asia (Singapore). Director of Opera Australia Capital Fund Limited and a Director and Member of the Council of Melbourne Grammar School.

**JOANNE DAWSON, B.Comm, MBA, CA, CFP, MAICD – Non-Executive Director**
Appointed as a Director on 9 May 2012. Chair of the Audit Committee and a member of the Review Committee. Director, Chair of the Audit Committee and member of Budget, Investment and Reinsurance Committees of Catholic Church Insurance Limited. Director of CCI Asset Management Ltd. Board member, Chair of the Audit and Risk Committee of Film Victoria. Former roles include, senior management roles with National Australia Bank and as Client Director in the Assurance and Advisory Division of Deloitte.

## COMPANY SECRETARY

**MARTIN F. WARWICK, CA, MBA, ACIS, ACSA, BSc**
Appointed as a Secretary on 18 February 2004. Appointed General Manager of the Company on 1 July 2005.

## INTEREST IN SHARES OF THE COMPANY

As at the date of this report, the interests of the Directors in the shares of the Company were:

| Director | Ordinary Shares |
|---|---|
| M E BARTLETT | 42,000 |
| J JOHNSON | – |
| J DAWSON | – |
| J A (TONY) KILLEN | 230,554 |
| G E McGOWAN | – |

## EARNINGS PER SHARE

| | Cents |
|---|---|
| Basic | 0.9 |
| Diluted | 0.9 |

## DIVIDENDS

| | $ |
|---|---|
| Directors have declared a final dividend of 2.5 cents per share (2012: 1.5 cents) | 3,582,565 |
| Dividends paid during the year ended 30 June 2013 were as follows: Final dividend for the year ended 30 June 2012 of 1.5 cents per share, paid 28 September 2012 | 2,144,195 |

## CORPORATE INFORMATION

### Corporate Structure

Templeton Global Growth Fund Ltd is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange ("ASX").

### Principal Activities

The Company invests in a globally diversified portfolio of primarily international equities. The Company outsources its investment management functions to Franklin Templeton Investments Australia Limited ("FTIAL" or "Investment Manager"), a member of the Franklin Templeton group. The primary objective of the Company is to increase total shareholder returns through the achievement of superior investment performance.

The Company has an Australian Financial Services licence (Licence No: 296874).

There has been no significant change in the nature of these activities during the year.

## OPERATING AND FINANCIAL REVIEW

### Overview

The Company was formed in 1987 and has operated continuously since its formation.

The Company maintains a portfolio of investments in companies listed on international stock exchanges. The Company may also invest in unlisted trusts where the Investment Manager and the Directors consider such investment in unlisted trusts provides a cost effective and efficient manner in which to access specific geographic or industry sectors. At 30 June 2013 all investments were in listed equity securities.

As an investor in companies listed on international stock exchanges the Company is subject to general market sentiment towards investment in equities along with specific market sentiment towards the securities in which the company invests. The Company's Investment Manager utilises an investment philosophy and process designed to identify undervalued securities in which to invest.

The Company does not currently hedge the underlying currencies of its portfolio of investments.

### Performance Indicators

For the year ended 30 June 2013 the Company's portfolio of investments returned 41.2% compared to the MSCI All Countries World Index ("the Index") for the same period of 31.2%.

The following tables illustrate the performance of the Company's investment portfolio compared to the Index since inception.

**Investment Performance % ($Aust.)**

| | Latest 6 Mths % | Latest 12 Mths % | Latest 3 Yrs* % | Latest 5 Yrs* % | Latest 10 Yrs* % | Since Inception* % |
|---|---|---|---|---|---|---|
| TGG ^ | **22.3** | **41.2** | **11.5** | **4.2** | **4.5** | **6.6** |
| MSCI AC World Index | 20.6 | 31.2 | 9.9 | 3.8 | 4.8 | 5.7# |

^ Returns are based on movements in the Company's net assets per share (after deducting investment management fees), before all taxes, with dividends reinvested, adjusted for share issues and share buy-backs.
# Since inception Index uses MSCI World as AC World was not in existence at TGG's inception.
* Annualised

**Yearly Investment Performance % ($Aust.) in each of the past five years.**

| Year to 30 June | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| TGG^ | 41.2 | -5.4 | 3.8 | 2.3 | -13.5 |
| MSCI AC World Index | 31.2 | -1.8 | 3.2 | 7.5 | -15.6 |

^ Returns are based on movements in the Company's net assets per share (after deducting investment management fees), before all taxes, with dividends reinvested, adjusted for share issues and share buy-backs.

## Operating Results for the Year

The net profit after income tax for the year was $1,365,959 compared with a net profit after tax of $1,511,368 in the previous corresponding year ("pcy") primarily due to lower dividend receipts from the companies in which the Company is invested. During the financial year ended 30 June 2013, global equity markets recovered and stabilised. The recovery in global equity markets coupled with the Australian Dollar ("AUD") depreciating in value against many of the world's major currencies over the course of the financial year provided excellent conditions for TGG's unhedged value based investment style to deliver strong investment returns. The market value of the Company's investment portfolio increased by approximately 37.6% over the 12 months to 30 June 2013 (after taking into account the payment of the 2012 final dividend), increasing from $121,327,705 at 1 July 2012 to $166,959,032 at 30 June 2013.

Revenue from investments amounted to $4,158,354 in the current financial year as compared with $4,288,486 in the pcy.

The net tangible asset ("NTA") backing of the Company's shares is calculated, in accordance with ASX guidelines, by dividing the net tangible assets of the Company (net assets less the deferred tax assets and liabilities), at a particular date, by the number of shares on issue at that date. It is an ASX requirement that the NTA backing of the Company be released to the market monthly. Over the previous five years the NTA at 30 June has been:

| | Net Tangible Assets - cents per share | |
|---|---|---|
| As at 30 June | After Actual Tax* | After Estimated Tax** |
| 2013^ | 118 | 118 |
| 2012^ | 86 | 86 |
| 2011^ | 94 | 94 |
| 2010^ | 94 | 94 |
| 2009^ | 92 | 92 |

* 'Actual Tax' is all Australian and Foreign income tax for which a liability has arisen and therefore excludes the deferred tax assets and liabilities.

** 'Estimated Tax' is estimated tax if the Company disposed of its total investment portfolio at its market value. However, the Company is a long-term investor and does not intend to dispose of its total investment portfolio.

^ There were insufficient net unrealised gains to affect the "after estimated tax" NTA.

## Share Issues During the Year

The Company's dividend reinvestment plan ("DRP") continues to operate. In September 2012 a final dividend of 1.5 cents per share was paid. As a result of these dividends 356,499 shares were issued under the DRP at a price of $0.7234 cents per share representing a take-up rate of the DRP at approximately 12%.

The Company operated on-market share buy-backs during the year but no shares were bought back. The number of ordinary shares on issue after accounting for new shares issued under the DRP, increased over the period from 142,946,085 to 143,302,584.

## Borrowings

The Company's financing consists predominantly of shareholder funds. The Company has no external borrowings or undrawn borrowing facilities at the date of this report.

## DEFERRED TAX ASSET

In accordance with the Directors' interpretation of Australian accounting standard *AASB 112: Income Taxes* a judgement was made to re-recognise at 30 June 2013 the $10,442,241, of the Company's deferred tax asset ("DTA") previously derecognised at 30 June 2012.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Directors are not aware of any significant changes in the state of affairs of the Company or the environment in which it operates, that will adversely affect the results in subsequent years.

## MATTERS ARISING SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Directors are not aware of any matters or circumstance not otherwise disclosed in the Financial Report or Directors' Report that has arisen since the end of the financial year which has significantly affected, or may significantly affect:

(a) the Company's operations
(b) the result of those operations, or
(c) the Company's state of affairs in financial years after the financial year.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors intend that the Company's Investment Manager will continue to invest in accordance with Templeton Global Equities Group's long-standing philosophy of seeking out undervalued investments in global equity markets.

## SHARE OPTIONS

### Unissued shares

As at the date of this report, there were no unissued ordinary shares under option.

### Shares issued as a result of the exercise of options

During the financial year, employees and Directors have not been granted nor have they exercised any options to acquire fully paid ordinary shares in the Company.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into agreements with each of the Directors that require the Company to indemnify them and arrange for them to be insured, in each case to the extent permitted by the Company's Constitution and the *Corporations Act 2001*, in respect of certain liabilities they may incur in their capacity as Directors and officers of the Company.

Insurance cover is maintained for these purposes. The premiums are predominantly paid by the Company with the balance paid by the Directors and General Manager. The confidentiality provisions of the relevant insurance contracts prohibit further disclosure of the material items of the insurance policies.

## ENVIRONMENTAL REGULATION

The Company's operations are such that they are not directly affected by any material environmental regulation.

## DIRECTORS' REPORT – REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of Templeton Global Growth Fund Ltd ("the Company") in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report key management personnel ("KMP") are the Directors of the Company and the Secretary/General Manager. The KMP are the only employees of the Company.

### Remuneration Philosophy

The Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the KMP. The Board of Directors assesses 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.

### Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

### Non-executive Directors' Remuneration

In accordance with the Company's Constitution and the ASX Listing Rules, the aggregate amount of remuneration payable to the non-executive Directors in any year is determined from time to time by shareholders in General Meetings. The last determination was at the Annual General Meeting on 22 October 2007 when shareholders fixed an aggregate amount of $350,000.

Within the limit of the aggregate amount determined by the shareholders, the Board determines the remuneration for non-executive Directors.

The policy of the Board is not to pay fees or provide other remuneration to non-executive Directors who were at any time during the year officers of Franklin Templeton group. In the year ended 30 June 2013, this policy was maintained and neither Ms Johnson nor Mr G E McGowan, who are officers of the Franklin Templeton group, received fees or other remuneration from the Company.

The Company provides remuneration for non-executive Directors who are not officers of Franklin Templeton group. The remuneration arrangements for these non-executive Directors are reviewed annually by the Board.

The Board assesses the appropriateness of the remuneration for non-executive Directors having regard to market practice (including available data concerning remuneration paid by other companies, in particular companies of comparable nature and size), the duties and accountability of the non-executive Directors and the objective of maintaining a balanced Board which has appropriate expertise and experience, at a reasonable cost to the Company. Non-executive Directors remuneration is not linked to the financial performance or share price of the Company.

The non-executive Directors who received remuneration in the year ended 30 June 2013 were Chairman, Mr J A Killen, former Chairman, Mr D A Walsh, Mr M E Bartlett and Ms J Dawson.

The Board does not pay bonuses or issue shares or options to Directors as components of their remuneration. Neither does it make loans to Directors or employees, or provide motor vehicles, rent, travel allowances or other benefits.

The Company makes minimum superannuation guarantee contributions for non-executive Directors. Directors can also opt to "salary sacrifice" their Director's fees and have them paid wholly or partly as further superannuation contributions.

Prior to 30 June 2003, the Company provided retirement benefits for non-executive Directors. With effect from 30 June 2003, the Board resolved to remove retirement benefits for Directors except for existing entitlements, which were frozen at the amounts accrued and provided for at that date. Mr Walsh's accrued entitlement as at 30 June 2003 was $90,120 and is the maximum retirement benefit to which he may become entitled on his retirement. This amount was expensed in prior years as the retirement allowance accrued. Retirement benefits will not be paid to any other Directors. The Company continues to pay superannuation guarantee contributions on Director's fees.

Details of the remuneration for non-executive Directors for the year ended 30 June 2013 are set out in Table 1 at the end of this Report.

## Executive's Remuneration

The remuneration provided by the Company to executives is reviewed annually by the Board.

In the year ended 30 June 2013, the only executive directly remunerated by the Company was the Secretary and General Manager, Mr M F Warwick.

### *Fixed Remuneration*

Management of the Company's investment portfolio is outsourced to the Investment Manager and the Company's performance and results are principally attributable to the performance and results achieved by the Investment Manager in managing the investment portfolio.

Having regard to this, the Board has determined that the remuneration of executives should principally take the form of a fixed amount of remuneration which is reviewed by the Board in each year and does not at this time include a performance based or incentive component.

Executives are given the option of receiving their fixed amount of remuneration in a variety of forms including cash and fringe benefits. The objective is, so far as reasonably practical, to permit the remuneration to be received in a manner that will be optimal for the executive without creating additional cost to the Company.

The level of the fixed remuneration for an executive is determined having regard to market relativities and the executive's responsibilities, accountability and performance.

***Variable Remuneration***

At present there are no short term or long term incentives in place for the remuneration of executives.

Details of the remuneration of executives for the year ended 30 June 2013 are set out in Table 2 at the end of this report.

## Employment Contract

The Secretary and General Manager, Mr M F Warwick is employed under contract. The current employment contract commenced 1 July 2012 and terminates on 30 June 2014, by which time the Company may choose to commence negotiations to enter into a new employment contract with Mr. M F Warwick.

Both the Company and Mr M F Warwick may terminate the contract at any time by giving six month's notice in writing to the other party. Where the Company terminates the contract a payment equivalent to the notice period is required to be paid, or at the Company's discretion Mr M F Warwick can be required to work through all or part of his notice period. The Company also has the right to summarily terminate the contract without notice, or payment in lieu of notice of termination, for matters such as serious misconduct.

### TABLE 1: DIRECTOR REMUNERATION FOR THE YEARS ENDED 30 JUNE 2013 AND 30 JUNE 2012

| Director | Year | Short-Term Directors Salary and Fees $ | Post Employment Superannuation $ | Post Employment Retirement Benefits $ | Total $ |
|---|---|---|---|---|---|
| J A Killen (Chairman) | 2013 | 95,581 | 8,603 | | 104,184 |
| | 2012 | 66,929 | 6,023 | – | 72,952 |
| D A Walsh* (Retired 24/10/12) | 2013 | 33,313 | 2,998 | – | 36,311 |
| | 2012 | 96,336 | 8,670 | – | 105,006 |
| J F Harvey (Retired 9/5/12) | 2013 | – | – | – | – |
| | 2012 | 51,688 | 4,652 | – | 56,340 |
| G N Webb* (Retired 26/10/11) | 2013 | – | – | – | – |
| | 2012 | – | 17,078 | – | 17,078 |
| M E Bartlett (Appointed 15/9/11) | 2013 | 68,808 | 6,192 | – | 75,000 |
| | 2012 | 51,746 | 4,657 | – | 56,403 |
| J Dawson (Appointed 9/5/12) | 2013 | 72,118 | 6,490 | – | 78,608 |
| | 2012 | 9,803 | 882 | – | 10,685 |
| Total | 2013 | 269,820 | 24,283 | – | 294,103 |
| | 2012 | 276,502 | 41,962 | – | 318,464 |

Mr G E McGowan and Ms J Johnson are non-executive directors of the Company and are also executives of the Investment Manager or companies associated with the Investment Manager and receive no remuneration from Templeton Global Growth Fund Ltd.

### TABLE 2: REMUNERATION OF THE KEY MANAGEMENT PERSONNEL FOR THE YEARS ENDED 30 JUNE 2013 AND 30 JUNE 2012.

The only executive officer of the Company during the year ended 30 June 2013 was the Secretary and General Manager, Mr M F Warwick. The remuneration of the executive is not linked to the performance of the Company. Details of the performance of the Company is set out in the Operating and Financial Review in the Directors' Report.

| Executive Officers | Year | Short-Term Salary and Fees $ | Post Employment Superannuation $ | Total $ |
|---|---|---|---|---|
| M F Warwick | 2013 | 178,896 | 16,104 | 195,000 |
| | 2012 | 169,728 | 15,272 | 185,000 |

TABLE 3: SHAREHOLDINGS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

| Shares Held in the Company (number) | Balance 1 July 2012 | Net Change Other | Balance 28 August 2013 |
|---|---|---|---|
| | Ord | Ord | Ord |
| **Directors** | | | |
| D A Walsh (retired 24/10/12) | 62,500 | (62,500) | – |
| J A (Tony) Killen | 166,600 | 63,954 | 230,554 |
| G E McGowan | – | – | – |
| J Dawson | – | – | – |
| M E Bartlett | 42,000 | – | 42,000 |
| J Johnson | – | – | – |
| **Executive** | | | |
| M F Warwick | 22,960 | – | 22,960 |
| **Total** | **294,060** | **1,454** | **295,514** |

All equity transactions with directors and the executive have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

## LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans made to key management personnel at any time during the year and no loans exist at the date of this report.

## DIRECTORS' MEETINGS

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

| | Directors' Meetings | | Audit Committee | | Review Committee | |
|---|---|---|---|---|---|---|
| **Number of meetings held:** | 5 | | 7 | | 5 | |
| **Number of meetings attended:** | **A** | **B** | **A** | **B** | **A** | **B** |
| D A Walsh# | 2 | 2 | 2 | 2 | 2 | 2 |
| J A Killen | 5 | 5 | 7 | 7 | 5 | 5 |
| G E McGowan | 4 | 5 | ** | ** | ** | ** |
| M E Bartlett | 5 | 5 | 7 | 7 | 5 | 5 |
| J Dawson | 5 | 5 | 7 | 7 | 5 | 5 |
| J Johnson | 4 | 5 | ** | ** | ** | ** |

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office or was a member of the committee during the year.

# = Attends the Audit Committee by invitation.

** = Not a member of the relevant committee.

## COMMITTEE MEMBERSHIP

As at the date of this report, the Company had an Audit Committee and a Review Committee.

The members of these committees of the Board during the year were:

| ***Audit*** | ***Review*** |
|---|---|
| J Dawson (c) | J A Killen (c) |
| M E Bartlett | D A Walsh* |
| J A Killen | M E Bartlett |
| | J Dawson |

(c) indicates Chairman of the committee.
* indicates a member of the committee until the Director retired.

## AUDITOR INDEPENDENCE

The auditor's independence declaration given under Section 307C of the *Corporations Act 2001* is set out on page 11 and forms part of the Directors' Report for the year ended 30 June 2013.

## NON-AUDIT SERVICES

The Company may decide to engage the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Prior to any non audit services being contracted through the Company's auditor, the Board of Directors, after receiving advice from the Audit Committee, would satisfy itself that the provision of non-audit services in compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

However, during the year ended 30 June 2013, there were no non-audit related services provided by the entity's auditor, PricewaterhouseCoopers.

Details of the amounts paid or payable to the auditor for audit and non-audit services during the year are set out in Note 18.

Signed in accordance with a resolution of the Directors.

**J A KILLEN**
*Chairman*

Melbourne
28 August 2013

## Auditor's Independence Declaration

As lead auditor for the audit of Templeton Global Growth Fund Limited for the year ended 30 June 2013, I declare that 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.

JF Power
Partner
PricewaterhouseCoopers

Melbourne
28 August 2013

**PricewaterhouseCoopers, ABN 52 780 433 757**
*Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001*
*DX 77 Melbourne, Australia*
*T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au*

# INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

| | Notes | 2013 $ | 2012 $ |
|---|---|---|---|
| Revenue | 5 | 4,158,354 | 4,288,486 |
| Investment expenses | 6 | (1,445,223) | (1,320,077) |
| Salaries and employee benefit expenses | | (489,101) | (503,464) |
| Shareholder and regulatory costs | | (111,056) | (100,519) |
| Other expenses | | (241,521) | (209,082) |
| Profit before income tax | | 1,871,453 | 2,155,344 |
| Income tax expense | 7 | (505,494) | (643,976) |
| **Profit after income tax for the period** | | **1,365,959** | **1,511,368** |
| | | Cents | Cents |
| **Earnings per share** | 16 | | |
| • Basic earnings per share for the year attributable to ordinary equity holders | | 0.9 | 1.0 |
| • Diluted earnings per share for the year attributable to ordinary equity holders | | 0.9 | 1.0 |

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

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

| | Notes | 2013 $ | 2012 $ |
|---|---|---|---|
| Profit for the year after tax | | 1,365,959 | 1,511,368 |
| Other comprehensive income | | | |
| Unrealised gains/(losses) on investments in the portfolio at 30 June | | 44,336,979 | (5,899,063) |
| Income tax benefit/(expense) on the above | * | (13,301,093) | 1,769,720 |
| Realised gains/(losses) on investments during the period | | 3,224,095 | (4,651,753) |
| Income tax benefit/(expense) on the above | * | (967,229) | 1,395,526 |
| Deferred tax asset rerecognised/(derecognised) | 4 and 7 | 10,442,241 | (10,442,241) |
| **Total other comprehensive income after tax** | | 43,734,993 | (17,827,811) |
| **Total comprehensive income after tax** | | **45,100,952** | **(16,316,443)** |

* The total amount of income tax benefit/expense relating to items recognised in other comprehensive income in the year ended 30 June 2013 is $14,268,322 expense. (2012: $3,165,246 benefit).

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

# BALANCE SHEET AS AT 30 JUNE 2013

| | Notes | 30 June 2013 $ | 30 June 2012 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 15 | 4,290,991 | 2,579,154 |
| Receivables | 9 | 621,687 | 405,048 |
| **Total current assets** | | 4,912,678 | 2,984,202 |
| **Non-current Assets** | | | |
| Investments | 10 | 166,959,032 | 121,327,705 |
| Deferred tax asset | 7 | 6,600,240 | 10,426,321 |
| Total non-current assets | | 173,559,272 | 131,754,026 |
| **Total assets** | | 178,471,950 | 134,738,228 |
| **Current Liabilities** | | | |
| Payables | 11 | 1,723,814 | 1,034,637 |
| Provisions | 12 | – | 104,620 |
| Current tax liabilities | | – | 120,227 |
| **Total current liabilities** | | 1,723,814 | 1,259,484 |
| **Non-current Liabilities** | | | |
| Deferred tax liability | 7 | 110,680 | 55,951 |
| Total non-current liabilities | | 110,680 | 55,951 |
| Total liabilities | | 1,834,494 | 1,315,435 |
| **Net assets** | | **176,637,456** | **133,422,793** |
| **Equity** | | | |
| Contributed equity | 13 | 183,220,010 | 182,962,104 |
| Reserves | 14 | (8,749,639) | (52,484,632) |
| Retained profits | 14 | 2,167,085 | 2,945,321 |
| **Total equity** | | **176,637,456** | **133,422,793** |

The above balance sheet should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

| Year ended 30 June 2013 | Note | Contributed Equity $ | Retained Profits $ | Investment Revaluation Reserve $ | Investment Realisation Reserve $ | Total Equity $ |
|---|---|---|---|---|---|---|
| **Total equity at the beginning of the year as reported** | | 182,962,104 | 2,945,321 | (24,328,083) | (28,156,549) | 133,422,793 |
| **Profit for the year after tax** | | – | 1,365,959 | – | – | 1,365,959 |
| **Other comprehensive income** | | | | | | |
| Net revaluation increment on the investment portfolio | | – | – | 33,292,752 | – | 33,292,752 |
| Transfer of net realised gains for the period | 14(a),14(b) | – | – | (2,256,866) | 2,256,866 | – |
| Deferred tax asset rerecognised | 14(a) | – | – | – | 10,442,241 | 10,442,241 |
| **Other comprehensive income for the year** | | – | – | 31,035,886 | 12,699,107 | 43,734,993 |
| **Transactions with shareholders** | | | | | | |
| Dividends paid | 8 | – | (2,144,195) | – | – | (2,144,195) |
| Shares issued under the dividend reinvestment plan | 13 | 257,906 | – | – | – | 257,906 |
| Shares bought back | 13 | – | – | – | – | – |
| Transaction costs on buy back | 13 | – | – | – | – | – |
| **Total transactions with shareholders** | | 257,906 | (2,144,195) | – | – | (1,886,289) |
| **Total equity at 30 June 2013** | | **183,220,010** | **2,167,085** | **6,707,803** | **(15,457,442)** | **176,637,456** |

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

## STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

| Year ended 30 June 2012 | Note | Contributed Equity $ | Retained Profits $ | Investment Revaluation Reserve $ | Investment Realisation Reserve $ | Total Equity $ |
|---|---|---|---|---|---|---|
| **Total equity at the beginning of the year as reported** | | 183,687,381 | 4,313,317 | (20,198,740) | (14,458,081) | 153,343,877 |
| **Profit for the year after tax** | | – | 1,511,368 | – | – | 1,511,368 |
| **Other comprehensive income** | | | | | | |
| Net revaluation decrement on the investment portfolio | | – | – | (7,385,570) | – | (7,385,570) |
| Transfer of net realised losses for the period | 14(a),14(b) | – | – | 3,256,227 | (3,256,227) | – |
| Deferred tax asset derecognised | 14(a) | – | – | – | (10,442,241) | (10,442,241) |
| Other comprehensive income for the year | | – | – | (4,129,343) | (13,698,468) | (17,827,811) |
| **Transactions with shareholders** | | | | | | |
| Dividends paid | 8 | – | (2,879,364) | – | – | (2,879,364) |
| Shares issued under the dividend reinvestment plan | 13 | 347,314 | – | – | – | 347,314 |
| Shares bought back | 13 | (1,069,063) | – | – | – | (1,069,063) |
| Transaction costs on buy back | 13 | (3,528) | – | – | – | (3,528) |
| **Total transactions with shareholders** | | (725,277) | (2,879,364) | – | – | (3,604,641) |
| **Total equity at 30 June 2012** | | **182,962,104** | **2,945,321** | **(24,328,083)** | **(28,156,549)** | **133,422,793** |

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

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

| | Notes | 2013<br>$<br>Inflows<br>(Outflows) | 2012<br>$<br>Inflows<br>(Outflows) |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| DDividends and distributions received | | 3,459,880 | 3,809,730 |
| Interest received | | 78,497 | 62,710 |
| Custodian fees paid | | (35,057) | (46,269) |
| Goods and services tax refunded | | 123,304 | 115,234 |
| Investment manager's fees paid | | (1,483,295) | (1,388,396) |
| Income taxes paid | | (250,151) | (96,601) |
| Administrative, regulatory, legal and other payments in the normal course of operations | | (967,262) | (825,665) |
| Net cash inflow from operating activities | 15(a) | 925,916 | 1,630,743 |
| **Cash Flows from Investing Activities** | | | |
| Cash paid for purchase of listed shares | | (24,683,728) | (18,589,595) |
| Proceeds received from realisation of listed shares | | 27,281,547 | 21,801,986 |
| Net cash inflow from investing activities | | 2,597,819 | 3,212,391 |
| **Cash Flows from Financing Activities** | | | |
| Share Buy Back | | – | (1,072,588) |
| Net dividend paid | | (1,886,289) | (2,532,057) |
| Net cash outflow from financing activities | | (1,886,289) | (3,604,645) |
| Net increase in cash and cash equivalents | | 1,637,446 | 1,238,489 |
| Cash and cash equivalents at the beginning of the year | | 2,579,154 | 1,348,975 |
| Effects of exchange rate changes on cash | | 74,391 | (8,310) |
| **Cash and cash equivalents at year end** | **15(b)** | **4,290,991** | **2,579,154** |

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

## 1. CORPORATE INFORMATION

The financial report of Templeton Global Growth Fund Ltd ("the Company") for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 28 August 2013.

The Company is limited by shares, incorporated in Australia and whose shares are publicly traded on the Australian Securities Exchange ("ASX").

The nature of the operations and principal activities of the Company are described in the Directors' Report.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, and with the Corporations Act 2001. Templeton Global Growth Fund Ltd is a for-profit entity for the purposes of preparing the financial statements.

The financial report has been prepared on an historical cost basis, except for investment assets ("Investments") which have been measured at fair value (last bid price).

The financial report is presented in Australian dollars.

### (a) Compliance with IFRS

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.

### (b) New accounting standards and interpretations

No new accounting standards and interpretations, that are available for early adoption at 30 June 2013, but not yet adopted, will result in any material change in relation to the financial statements.

### (c) Foreign currency translation

#### *(i) Functional and presentation currency*

Both the functional and presentation currency of the Company is Australian dollars ($).

#### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on investments held at fair value through other comprehensive income are recognised in other comprehensive income as part of the fair value gain or loss.

### (d) Trade and other receivables

Trade receivables which generally have 30-90 day terms are recognised at the original transaction amount and where applicable converted to the equivalent Australian dollar value on the day of transaction.

### (e) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original 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 consist of cash and cash equivalents as defined above.

### (f) Investments and other financial assets

***Classification***

Equity securities within the investment portfolio are classified as 'financial assets measured at fair value through other comprehensive income', and are designated as such upon initial recognition in accordance with AASB 9.

The designation of securities within the investment portfolio as 'financial assets measured at fair value through other comprehensive income' is consistent with the Directors' view of these assets as being held for the long-term for both capital growth and for the provision to the Company of dividends and distribution income rather than to make a profit from the sale of such securities.

***Measurement and Valuation***

Securities, including listed shares, are initially brought to account at fair value, which is the cost of acquisition including directly attributable transaction costs, and are re-valued to fair values continuously. The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. Increments and decrements on equity instruments are recognised as Other Comprehensive Income and taken to the Investment Revaluation Reserve. Gains and losses are not subsequently reclassified to the Income Statement.

Where disposal of an investment occurs any revaluation increment or decrement relating to it is transferred from the Investment Revaluation Reserve to the Investment Realisation Reserve.

The purchase and the sale of securities are accounted for at the date of trade.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

***Recognition and derecognition***

When securities classified as fair value through other comprehensive income are sold, the accumulated fair value adjustments recognised in other comprehensive income are disclosed in equity as gains or losses, net of tax, on realisation of investments.

### (g) Trade and other payables

Trade payables and other payables are carried at amortised cost and due to their short term nature are not discounted. 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 becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### (h) Provisions and employee leave benefits

Provisions are recognised where the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended and no longer at the discretion of the Company on or before the reporting date.

***Employee leave benefits***

***(i) Wages, salaries, annual leave and sick leave***

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the period in which the services are rendered are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

***(ii) Long service leave***

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### (i) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds. Where the Company buys back shares through an on market buy back, the cost of the shares bought back and incremental costs of the buy back, net of tax, are deducted from equity.

### (j) Income tax and other taxes

The income tax expense for the year is the tax payable on the current year's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the same time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the liability is settled.

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income. In this case, the tax is also recognised directly in other comprehensive income.

Deferred tax assets are recognised for deductible temporary differences and carried forward tax losses to the extent it is probable that future taxable amounts will be available to utilise those temporary differences. In assessing the likelihood of probable recoverability of the deferred tax asset regard is had to the value and composition of the deferred tax asset, economic conditions and economic indicators.

#### *Goods and services tax ("GST")*

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority.

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 is classified as operating cash flow.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

### (k) Earnings per share

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

Diluted EPS is calculated as net profit attributable to shareholders, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; 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.

There are no dilutive instruments currently on issue.

### (l) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### *Interest income*

Interest income is recognised using the effective interest method.

#### *Dividends and distributions*

Dividends and distributions are recognised when the Company's right to receive the payment is established.

### (m) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the Chief Operating Decision-Maker ("CODM"). The CODM is the Review Committee. The Company operates as a listed investment company in Australia and has a single reportable operating segment.

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### (a) Financial Risk Management Objectives, Policies and Processes

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 primarily to market risk, liquidity risk, and credit risk.

Financial instruments of the Company comprise the investment portfolio, cash and cash equivalents, receivables and payables.

Under the supervision of the Board, the Investment Manager is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to shareholders of the Company from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by management. These mandated limits reflect the investment strategy and market environment of the Company, as well as the level of risk that the Company is willing to accept, with additional emphasis on selected industries.

This information is prepared and reported to relevant parties within the Company on a regular basis as deemed appropriate, including management, committees of Directors and ultimately the Board of Directors of the Company.

Concentrations of risk arise when a number of financial instruments are entered into in the same geographic region or industry grouping whereby the performance of those financial instruments could be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentration of risk, the Investment Manager monitors the exposure to ensure concentrations of risk remain within acceptable levels.

### (b) Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in the market variables such as foreign currency exchange rates and equity prices.

Management of the Company's investment portfolio is outsourced to Franklin Templeton Investments Australia Ltd ("FTIAL") who manage market risk by prudent diversification of the investment portfolio. The Board and Board committees monitor FTIAL's management of market risk by reference to the performance of the portfolio of the investments compared to the performance of an appropriate index.

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

### *Foreign currency exchange risk*

Foreign currency exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates.

The Company's operations provide Australian investors with not only access to the world's equity markets but also investment exposure beyond the Australian dollar.

This has been one of the reasons that the long-standing approach of the Company has been not to hedge the underlying currencies of its portfolio of investments.

The table below indicates the currencies to which the Company had significant exposure at 30 June 2013 on its equity assets and forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Australian dollar on the value of the portfolio of investments, with all other variables held constant.

*Accounting Assumptions – Variability of foreign currency*

The sensitivity is based on management's estimate of volatility of change probable in global currencies in which the portfolio of investments is significantly invested.

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| Currency | AUD equivalent in exposure by currency $,000 | Change in currency rate in % | Effect on other comprehensive income after tax $,000 | AUD equivalent in exposure by currency $,000 | Change in currency rate in % | Effect on other comprehensive income after tax $,000 |
| EUR | 47,347 | 15/(15) | (4,971)/4,971 | 31,514 | 15/(25) | (3,309)/5,515 |
| USD | 62,364 | 15/(15) | (6,548)/6,548 | 45,005 | 15/(25) | (4,725)/7,876 |
| GBP | 15,758 | 15/(15) | (1,654)/1,654 | 13,859 | 15/(25) | (1,455)/2,425 |

The above sensitivities do not incorporate the impact of any exchange rate movement on dividend income received in Australian dollars as the amount is not practicable to calculate.

### *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 exposure arises from the Company's investment portfolio.

The effect on other comprehensive income due to reasonably possible changes in market factors, as represented by equity indices, with all other variables held constant is indicated in the table below.

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

*Accounting Assumptions – Variability of equity price*

The sensitivity is based on management's estimate of the possible volatility of change in the investments of the Company in various significant geographical locations.

| | | 2013 | | 2012 | |
|---|---|---|---|---|---|
| Location | Index | Change in equity price % | Effect on other comprehensive income after tax $,000 | AUD equivalent in exposure by currency $,000 | Effect on other comprehensive income after tax $,000 |
| USA | S&P 500 | 20/(10) | 8,731/(4,365) | 20/(20) | 6,984/(6,984) |
| UK | FTSE 100 | 15/(15) | 1,654/(1,654) | 20/(20) | 1,940/(1,940) |
| France | CAC 40 | 20/(20) | 2,509/(2,509) | 20/(20) | 1,698/(1,698) |

### *Interest rate risk*

The nature of the Company's business operations is such that the only exposure to financial instruments with interest rate risk exposure is to cash and cash equivalents. Cash and cash equivalents are restricted to investment in "at-call" or short-term to maturity deposits. At balance date cash and cash equivalents were valued at $4,290,991 (2012: $2,579,154), the interest rate applicable to cash and cash equivalents at balance date was 2.50% (2012: 3.25%).

### (c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Company's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Company maintains sufficient cash and cash equivalents to meet normal operating requirements. Further, the Company under the requirements of its Australian Financial Services licence is required to maintain cash reserves equivalent to three months projected operational expenditure.

The Company, through FTI, seeks maximum investment in world equity markets but balances that objective with the need to retain sufficient cash reserves to meet operational expenses, shareholder distributions and potential investment opportunities.

The effect of these requirements is that the Company is ordinarily fully invested in the market with cash and cash equivalents of between 1% to 7% of the Company's market capitalisation to account for operational and investment contingencies. The Company's investments are in equities tradeable on stock exchanges around the world and are considered highly liquid.

The Board and Board committees monitor the liquidity by reference to monthly cash flow projections and financial reports.

### *Maturity analysis for financial liabilities*

Financial liabilities of the company comprise trade and other payables, dividends payable and payments for purchases of investments. Trade and other payables and dividend payments have no contractual maturities but are typically settled within 30 days.

Payments for purchases of investments are governed by the rules of the relevant stock exchange and are usually settled in less than five working days.

## 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

### (d) Credit Risk

Credit risk represents the risk that the counterparty to a certain type of financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. Although the Company has a concentration of counterparty risk through its single custodian, JP Morgan Chase Bank,credit risk is not considered to be significant to t he Company.

### (e) Capital Management

The Company's objective in managing capital is to continue to provide shareholders with dividends and capital appreciation over the longer term.

The Company's capital will fluctuate with prevailing market movements. The Company controls: dividend policy, the issue and buy-back of shares and the purchase or sale of assets.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

The Company had in place an On Market Share Buy-Back which operated during the year, although no shares were purchased. There were no other changes to the capital management of the Company.

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experience and on other various factors it believes reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgments, estimates or assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS CONTINUED

### (i) Significant accounting judgments

***Recovery of deferred tax assets***

Deferred tax assets ("DTA") are recognised for deductible temporary differences and carried forward losses to the extent that management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

The Company maintains an un-hedged global equities portfolio which is impacted by both global market conditions and the relative strength of the AUD. At 30 June 2012 the Company had carried forward capital losses of $69.7m (both unrealised and realised) on its investment portfolio. At 30 June 2012 the Directors', referencing an independent experts report on the anticipated returns on unhedged global equities over the next five years, made the decision to derecognise $10,442,241 of the Company's DTA.

During the year ended 30 June 2013 global markets stabilised and rallied and the AUD depreciated against the major currencies in which the Company's portfolio of investments is invested. The result of the strengthening of global markets and the depreciation of the AUD is that as at 30 June 2013 net unrealised and realised capital losses have reduced to $22 million.

The Directors believe that while it is not expected that the recovery of capital losses will continue at the same rate as which occurred in FY2013, it is probable that the net capital losses will be recovered within the next 5 year period. Accordingly the Directors have made the decision to re-recognise on the balance sheet at 30 June 2013 the $10,442,241 of DTA derecognised at 30 June 2012.

When assessing the recoverability of the DTA the Directors consider the prevailing economic conditions, historical investment return rates and the geographic composition of the portfolio of investments.

The Company will continue to assess the recoverability of the DTA at each reporting date. The Company will review its financial forecasts in relation to actual results and expected trends on an ongoing basis. Significant further declines in the fair value of its portfolio of investments may change the Company's assessment regarding the recoverability of its deferred tax asset.

Further details of the DTA balance are included in Note 7.

## 5. REVENUE

| | 2013 $ | 2012 $ |
|---|---|---|
| Dividends and distributions | 3,992,247 | 4,213,427 |
| Interest income | 82,674 | 63,922 |
| Other investment income | 21 | 11,137 |
| Net foreign currency gains | 83,412 | – |
| | 4,158,354 | 4,288,486 |

## 6. EXPENSES AND LOSSES

| | 2013 $ | 2012 $ |
|---|---|---|
| **Investment Expenses** | | |
| Investment management fees | 1,422,894 | 1,278,573 |
| Custodian fees | 22,329 | 21,877 |
| Net foreign currency losses | – | 19,627 |
| | 1,445,223 | 1,320,077 |

## 7. INCOME TAX

The major components of income tax are:

| | 2013 $ | 2012 $ |
|---|---|---|
| **Income Statement** | | |
| *Current income tax* | | |
| Current income tax charge | (561,436) | (646,613) |
| **Deferred income tax** | | |
| Relating to origination and reversal of temporary differences | 55,942 | 2,637 |
| Income tax expense reported in the income statement | (505,494) | (643,976) |
| **Amounts charged or credited directly to equity** | | |
| *Deferred income tax related to items charged or credited directly to equity* | | |
| Net realised and unrealised gains and losses on investments | (14,268,322) | 3,165,246 |
| Income tax (expense)/benefit reported in equity | (14,268,322) | 3,165,246 |

## 7. INCOME TAX CONTINUED

A reconciliation between the income tax benefit and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:

| | 2013 $ | 2012 $ |
|---|---|---|
| Profit before income tax | 1,871,453 | 2,155,344 |
| Prima facie income tax expense at statutory rate | (561,436) | (646,603) |
| Tax effect of: | | |
| - Unrealised foreign exchange (gains)/losses | (10,763) | 2,627 |
| - Other items | 66,705 | – |
| Income tax expense attributable to ordinary activities | (505,494) | (643,976) |

**Deferred income tax**

Deferred income tax at 30 June relates to the following:

*Deferred tax liabilities*

| | 2013 $ | 2012 $ |
|---|---|---|
| The balance comprises temporary differences attributable to: | | |
| Dividends receivable | 112,674 | 87,337 |
| Audit fee accrual | (1,994) | – |
| Directors retirement benefit | – | (27,036) |
| Long service leave accrual | – | (4,350) |
| | 110,680 | 55,951 |
| Opening balance at 1 July | 55,951 | 40,922 |
| Charged/(credited) to the income statement | 23,343 | 15,029 |
| Charged/(credited) to equity | 31,386 | – |
| Closing balance at 30 June | 110,680 | 55,951 |

*Deferred tax asset*

| | 2013 $ | 2012 $ |
|---|---|---|
| The balance comprises temporary differences attributable to: | | |
| Net unrealised (gain)/loss on investments | (2,874,772) | 10,426,321 |
| Realised loss on investments | 9,475,012 | – |
| | 6,600,240 | 10,426,321 |
| Opening balance at 1 July | 10,426,321 | 17,703,317 |
| Charged/(credited) to equity | | |
| (Derecognition)/rerecognition of deferred tax asset | 10,442,241 | (10,442,241) |
| Credited/(charged) to other comprehensive income | | |
| Tax effect of net unrealised (gain)/loss on investments | (13,301,093) | 1,769,719 |
| Tax effect of realised (gain)/loss on investments | (967,229) | 1,395,526 |
| Closing balance at 30 June | 6,600,240 | 10,426,321 |

## 8. DIVIDENDS PAID OR PROVIDED FOR

### (a) Dividends paid during the year:

***(i) Previous year's final***

| | 2013 $ | 2012 $ |
|---|---|---|
| Final Dividend for the year ended 30 June 2012 – 1.5 cents per share fully franked (30 June 2011 – 2.0 cents per share) | 2,144,195 | 2,879,364 |

The tax rate at which dividends have or will be franked is 30%

### (b) Franking credit balance

| | 2013 $ | 2012 $ |
|---|---|---|
| The amount of franking credits available for the subsequent financial year are: | | |
| – franking account balance as at the end of the financial year at the tax rate of 30% | 4,010,164 | 4,646,495 |
| – franking credits that will arise from the payment of income tax payable as at the end of the financial year | – | 120,227 |
| | 4,010,164 | 4,766,722 |
| The amount of franking credits available for future reporting periods: | | |
| – impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year. | (1,535,385) | (918,939) |
| | 2,474,773 | 3,847,783 |

### (c) Dividends declared after balance date

Since the end of the year Directors have declared a final dividend of 2.5 cents per share fully franked. The aggregate amount of the dividend for the year to 30 June 2013 to be paid on 26 September 2013, but not recognised as a liability at the end of the financial year: $3,582,565.

## 9. RECEIVABLES (CURRENT)

| | 2013 $ | 2012 $ |
|---|---|---|
| Receivables | 621,687 | 405,048 |

Receivables consist principally of sales of securities not yet settled or dividends declared not yet received. Proceeds from unsettled sale of securities are generally received within 5 days and dividends declared not yet received are generally received within 60 days.

## 10. INVESTMENTS (NON-CURRENT)

| | 2013 $ | 2012 $ |
|---|---|---|
| Securities listed on a prescribed stock exchange at cost: | | |
| Shares | 157,376,458 | 156,082,110 |
| Aggregate quoted market value at balance date of securities listed on a prescribed stock exchange | 166,959,032 | 121,327,705 |

The Company has no material exposures to a single listed equity investment.

For a detailed list of the fair values of the securities in the investment portfolio, refer to Note 25.

## 11. TRADE AND OTHER PAYABLES (CURRENT)

| | 2013 $ | 2012 $ |
|---|---|---|
| Trade payables | 1,579,614 | 931,169 |
| Payables due to related parties: | | |
| - Director related entities – refer note 20(b) | 144,200 | 103,468 |
| | 1,723,814 | 1,034,637 |

Trade payables and amounts payable to Director related entities are non-interest bearing and are normally settled on 30 day terms.

## 12. PROVISIONS

| | 2013 $ | 2012 $ |
|---|---|---|
| **Current** | | |
| Long service leave | – | 14,500 |
| Directors' retirement allowance | – | 90,120 |
| | – | 104,620 |

Prior to 30 June 2003, the Company provided retirement benefits for independent non-executive Directors. With effect from 30 June 2003, the Board resolved to remove retirement benefits except for existing entitlements, which were frozen at the amounts accrued at that date.

## 13. CONTRIBUTED EQUITY

### (a) Issued and Paid-Up Capital

| | 2013 $ | 2012 $ |
|---|---|---|
| Ordinary shares fully paid | 183,220,010 | 182,962,104 |

### (b) Movements in ordinary shares on issue

| | 2013 No. of shares | 2013 $ | 2012 No. of shares | 2012 $ |
|---|---|---|---|---|
| Beginning of financial year | 142,946,085 | 182,962,104 | 143,953,353 | 183,687,381 |
| Shares issued under dividend reinvestment | 356,499 | 257,906 | 536,387 | 347,314 |
| On market share buy back ("Buy Back") | – | – | (1,543,655) | (1,069,063) |
| Transaction cost of Buy Back | – | – | – | (3,528) |
| End of the financial year | 143,302,584 | 183,220,010 | 142,946,085 | 182,962,104 |

***Share buy-back:***

The Company has an on market buy back programme which remains active. During the year ended 30 June 2013 no shares were bought back. (2012: 1,543,655 at an average price of $0.6925).

***Dividend Reinvestment Plan ("DRP")***

The Company has a DRP under which shareholders elect to have all or part of their dividend payment reinvested in new ordinary shares at a discount of 2.5% to the 5 day volume weighted average price of shares leading up to the dividend record date.

### (c) Terms and Conditions of Contributed Capital

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

| | Notes | 2013 $ | 2012 $ |
|---|---|---|---|

## 14. RESERVES AND RETAINED PROFITS

| | Notes | 2013 $ | 2012 $ |
|---|---|---|---|
| Investment Realisation | 14(a) | (15,457,442) | (28,156,549) |
| Investment Revaluation | 14(b) | 6,707,803 | (24,328,083) |
| | | (8,749,639) | (52,484,632) |
| Retained profits | 14(c) | 2,167,085 | 2,945,321 |

### (a) Investment Realisation Reserve

***(i) Nature and purpose of reserve***

The investment realisation reserve is used to accumulate realised capital profits/(losses) arising from the sale of securities in the investment portfolio.

***(ii) Movements in Reserve***

| | 2013 Taxable realised gains (net of tax) for the period $ | 2013 Other movements for the period $ | 2013 Total $ |
|---|---|---|---|
| 1 July | | | (28,156,549) |
| Cumulative taxable realised gains for the period | 3,224,095 | – | 3,224,095 |
| Income tax expense on the above | (967,229) | – | (967,229) |
| Rerecognition of deferred tax asset | – | 10,442,241 | 10,442,241 |
| Total movements for the period | 2,256,866 | 10,442,241 | 12,699,107 |
| 30 June | | | (15,457,442) |

| | 2012 Taxable realised losses (net of tax) for the period $ | 2012 Other movements for the period $ | 2012 Total $ |
|---|---|---|---|
| 1 July | | | (14,458,081) |
| Cumulative taxable realised losses for the period | (4,651,753) | – | (4,651,753) |
| Income tax benefit on the above | 1,395,526 | – | 1,395,526 |
| Derecognition of deferred tax asset | – | (10,442,241) | 10,442,241 |
| Total movements for the period | (3,256,227) | (10,442,241) | (13,698,468) |
| 30 June | | | (28,156,549) |

## 14. RESERVES AND RETAINED PROFITS (CONT.)

### (b) Investment Revaluation Reserve

***(i) Nature and purpose of Reserve***

The investment revaluation reserve is used to accumulate unrealised capital profits/(losses) arising on from the revaluation of the investment portfolio.

***(ii) Movement in Reserve***

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Balance at the beginning of the year | (24,328,083) | (20,198,740) |
| Revaluation increments/(decrements) on revaluation of listed securities. | 47,561,074 | (10,550,816) |
| Tax effect of (increments)/decrements to revaluation reserve | (14,268,322) | 3,165,246 |
| Transfer of net realised capital (gains)/losses to the investment realisation reserve | (2,256,866) | 3,256,227 |
| Balance at the end of the year | 6,707,803 | (24,328,083) |

### (c) Retained Profits

***Movements in Retained Profits***

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Balance at the beginning of the year | 2,945,321 | 4,313,317 |
| Net profit for the year | 1,365,959 | 1,511,368 |
| Dividends paid | (2,144,195) | (2,879,364) |
| Balance at the end of the year | 2,167,085 | 2,945,321 |

## 15. STATEMENT OF CASH FLOWS

### (a) Reconciliation of the net profit after tax to the net cash flows from operations

| | 2013 $ | 2012 $ |
|---|---|---|
| Net profit | 1,365,959 | 1,511,368 |
| *Adjusted for:* | | |
| Net (gain)/loss on foreign exchange | 33,723 | 33,773 |
| Changes in assets and liabilities | | |
| - Receivables | (220,326) | 30,928 |
| - Payables | 36,363 | (75,630) |
| - Provision for taxation | (120,227) | 120,227 |
| - Deferred tax asset on income statement | (33,381) | (9,166) |
| - Deferred tax liability on income statement | (25,337) | 6,358 |
| - Provision for employee entitlements | (110,858) | 12,885 |
| Net cash flow from operating activities | 925,916 | 1,630,743 |

### (b) Reconciliation of cash

| | 2013 $ | 2012 $ |
|---|---|---|
| Cash comprises: | | |
| Cash at Bank | 4,290,991 | 2,579,154 |

***Disclosure of non-cash financing activities***

The company issued 356,499 shares under a dividend reinvestment plan in September 2012.

## 16. EARNINGS PER SHARE

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

| | 2013 $ | 2012 $ |
|---|---|---|
| Net profit used in calculating basic and diluted earnings per share | 1,365,959 | 1,511,368 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share | 143,214,680 | 144,059,325 |
| | **cents** | **cents** |
| Basic and diluted earnings per share | 0.9 | 1.0 |

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

## 17. KEY MANAGEMENT PERSONNEL

### (a) Details of Key Management Personnel

*(i) Directors*

| | |
|---|---|
| J A (Tony) Killen | Chairman (non-executive) |
| D A Walsh (retired 24/10/12) | Director (non-executive) |
| J Johnson | Director (non-executive) |
| G E McGowan | Director (non-executive) |
| M E Bartlett | Director (non-executive) |
| J Dawson | Director (non-executive) |

*(ii) Executive*

| | |
|---|---|
| M F Warwick | Company Secretary and General Manager |

### (b) Compensation of Key Management Personnel

| | 2013 $ | 2012 $ |
|---|---|---|
| Short-Term benefits | 448,716 | 446,230 |
| Post Employment benefits | 40,387 | 57,234 |
| **Total** | **489,103** | **503,464** |

### (c) Shareholdings of key management personnel

| Shares held in the Company (number) | Balance 1 July 2012 Ord | Net Change Other Ord | Balance 30 June 2013 Ord |
|---|---|---|---|
| **Directors** | | | |
| D A Walsh (retired 24/10/12) | 62,500 | (62,500) | – |
| J A (Tony) Killen | 166,600 | 63,954 | 230,554 |
| G E McGowan | – | – | – |
| J Dawson | – | – | – |
| M E Bartlett | 42,000 | – | 42,000 |
| J Johnson | – | – | – |
| **Executive** | | | |
| M F Warwick | 22,960 | – | 22,960 |
| **Total** | **294,060** | **1,454** | **295,514** |

## 17. KEY MANAGEMENT PERSONNEL CONTINUED

| Shares held in the Company (number) | Balance 1 July 2011 Ord | Net Change Other Ord | Balance 30 June 2012 Ord |
|---|---|---|---|
| **Directors** | | | |
| D A Walsh | 62,500 | – | 62,500 |
| G N Webb (retired 26/10/11) | 343,974 | (343,974) | – |
| J F Harvey (retired 9/5/12) | 49,325 | (49,325) | – |
| J A (Tony) Killen | 166,600 | – | 166,600 |
| G E McGowan | – | – | – |
| J Dawson | – | – | – |
| M E Bartlett | – | 42,000 | 42,000 |
| J Johnson | – | – | – |
| **Executive** | | | |
| M F Warwick | 22,960 | – | 22,960 |
| **Total** | **645,359** | **(351,299)** | **294,060** |

All equity transactions with directors and the executive have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

### (d) Loans to key management personnel

There were no loans made to key management personnel at any time during the year and no loans exist at 30 June 2013.

## 18. AUDITORS' REMUNERATION

| | 2013 $ | 2012 $ |
|---|---|---|
| The auditor of the Company is PricewaterhouseCoopers | | |
| During the year the following fees were paid or payable for services provided by the auditor | | |
| - an audit or review of the financial report of the Company | 52,415 | 51,150 |
| - other services in relation to the Company | 2,255 | 2,200 |
| | 54,670 | 53,350 |

## 19. SEGMENT INFORMATION

### (a) Operating segment

The Company has a single operating segment which is a business of investing in and managing a world wide portfolio of investments listed on international stock exchanges.

Under the supervision of the Board, responsibility for day to day decisions about making and managing investments in specific securities is delegated to and undertaken by the Investment Manager.

The operating results of the business are regularly reviewed by the Board, and by the Review Committee on behalf of the Board. Decisions about allocation of resources to the business are made by the Board, based on a single, integrated strategy, and performance of the business is assessed by the Board on an overall basis, considering the portfolio of investments as a whole.

### (b) Segment reporting

Internal reporting to the Board and Review Committee about the Company's assets, liabilities and performance is prepared and provided for the business as a single operating segment and is on a basis that is consistent with the measurement and recognition principles of Australian Accounting Standards, except that net assets are reviewed both before and after the effects of capital gains tax (as reported in the Company's Net Tangible Assets announcements to the ASX).

The Company reports net profit (or loss) after tax. This excludes the impact of realised and unrealised gains and losses in the value of investments.

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Profit after income tax | 1,365,959 | 1,511,368 |

The Company reports net asset value per share both before and after provision for deferred tax on realised and unrealised losses in the value of the Company's investment portfolio. Deferred tax is calculated as set out in Notes 2(j) and 4. The relevant amounts as at 30 June 2013 and 30 June 2012 were as follows:

| | 2013<br>cents | 2012<br>cents |
|---|---|---|
| **Net tangible asset backing per share** | | |
| After actual tax | 118 | 86 |
| After estimated tax | 118 | 86 |

## 19. SEGMENT INFORMATION CONTINUED

### (c) Other Segment Information

***Segment Revenue***

Revenues from external parties are derived from the receipt of dividend, distribution and interest income.

The Company is domiciled in Australia and all of the Company's dividend and distribution income is from entities which maintain a listing on a stock exchange. The Company has a diversified portfolio of investments with no single investment contributing more than 10% of the Company's income.

Dividend revenue by geographic location:

| Country | 2013 $ | 2012 $ |
|---|---|---|
| Australia | 75,736 | 77,252 |
| Austria | 4,762 | 34,481 |
| Belgium | 48,998 | 434 |
| Brazil | 68,971 | 100,349 |
| Canada | 16,001 | 4,612 |
| China | 36,509 | 36,494 |
| France | 720,441 | 701,068 |
| Germany | 204,062 | 284,698 |
| Hong Kong | 50,547 | 78,550 |
| Ireland | 74,280 | 71,384 |
| Italy | 125,553 | 80,007 |
| Japan | 189,960 | 166,026 |
| Netherlands | 207,376 | 125,067 |
| Norway | 127,728 | 172,564 |
| Russia | 48,289 | 22,433 |
| Singapore | 130,590 | 211,094 |
| South Korea | 50,208 | 42,902 |
| Spain | – | 180,919 |
| Switzerland | 119,424 | 153,570 |
| Taiwan | 19,772 | 79,547 |
| United Kingdom | 713,717 | 831,237 |
| United States | 959,323 | 758,739 |
| **Total** | **3,992,247** | **4,213,427** |

## 20. RELATED PARTY DISCLOSURE

### (a) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 17.

### (b) Transactions with related parties

***Management fees paid to Franklin Templeton Investments Australia Limited***

The Company's Investment Manager is Franklin Templeton Investments Australia Limited ("Investment Manager"). The Investment Manager is a member of the Franklin Templeton group.

In accordance with the Investment Management Agreement, the Investment Manager is entitled to a fee in respect of the management of the investment portfolio of the Company. This fee is calculated at the rate of 1% per annum payable monthly on the value of the net tangible assets of the Company less the value of the investments in unlisted trusts managed by the Investment Manager. For those services, the Investment Manager was paid a fee of $1,422,894 for the 12 months to 30 June 2013 (2012 $1,278,573). As at the end of the financial year $144,200 (2012: $103,468) was owing to the Investment Manager.

The Company has the following relationships with the Investment Manager:

Ms J Johnson and Mr G E McGowan have a beneficial interest in shares in Franklin Resources, Inc., the ultimate holding company of the Investment Manager.

Certain directors of the Company also held the following appointments with the Investment Manager and / or companies related to the Investment Manager.  These appointments were held throughout the financial year (and continues as at 30 June 2013) unless otherwise specified.

- Mr G E McGowan is a director of the Investment Manager.
- Mr G E McGowan and Ms J Johnson are employed by companies related to the Investment Manager.

Neither the Investment Manager nor any of the funds for which the Investment Manager is responsible are shareholders in Templeton Global Growth Fund Ltd. As at 30 June 2013 Franklin Resources Inc. holds shares in Templeton Global Growth Fund Ltd.

## 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows financial instruments recorded at fair value, analysed between those whose fair value is based on quoted market prices ("Level 1"), those involving valuation techniques where all the model inputs are observable in the market ("Level 2") and those where the valuation technique involves the use of non-market observable inputs ("Level 3"). All of the Company's financial assets are investments in listed securities (Level 1). The Company has no financial instrument liabilities.

| | 30 June 2013 | | 30 June 2012 | |
|---|---|---|---|---|
| | Level 1 | Total | Level 1 | Total |
| | $ | $ | $ | $ |
| Financial assets at fair value through other comprehensive income | | | | |
| Listed equity securities | 166,959,032 | 166,959,032 | 121,327,705 | 121,327,705 |
| Total | 166,959,032 | 166,959,032 | 121,327,705 | 121,327,705 |

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.

The fair value of listed equity is based on quoted market bid prices at the reporting date, without any deduction for transaction costs. These instruments are included in level 1.

**Other disclosures – Investment portfolio**

The Company's portfolio of investments has, since the Company's inception, consisted of securities chosen on the basis of their long term appreciation potential. The Company is a long term holder of investments. Accordingly each investment within the portfolio of investments on early adoption of AASB 9 was designated to be measured at fair value through other comprehensive income.

The fair value of each investment held at fair value through other comprehensive income is disclosed at note 25.

The value of investments realised in the normal course of the Company's business as a Listed Investment Company during the year was $27,281,547. The cumulative gain on these realised investments after tax was $2,256,866 which has been transferred from the investment revaluation reserve to the investment realisation reserve (refer to the statement of changes in equity).

## 22. CONTINGENCIES

At balance date Directors are not aware of any material contingent liabilities or contingent assets.

## 23. EVENTS AFTER THE BALANCE SHEET DATE

No other matters or occurrences have arisen subsequent to balance date that materially affect the operations of the Company.

## 24. PERFORMANCE BOND

Under the terms of its Australian Financial Services licence, the Company has in place a performance bond to the sum of $20,000 underwritten by JPMorgan Chase Bank in favour of the Australian Securities and Investments Commission ("ASIC"), payable on demand to ASIC.

## 25. SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Listed below is the investment portfolio all of which are held at fair value through other comprehensive income.

Investments in the portfolio change from year to year as some holdings are added to, others realised and as the quoted market price of those securities alter.

| Company | 30 June 2013 $ | 30 June 2012 $ |
|---|---|---|
| Abercrombie & Fitch | 765,079 | 639,615 |
| Accenture Plc | 623,328 | 780,579 |
| AIA Group Ltd | – | 509,926 |
| Akzo Nobel | 2,007,495 | – |
| Allegheny Technology | 1,709,852 | – |
| Alstom | 454,021 | 392,128 |
| American Express Co | 2,111,453 | 2,538,532 |
| Amgen Inc | 3,078,903 | 2,667,424 |
| Aviva Plc | 803,131 | 595,287 |
| AXA | 2,339,110 | 1,415,609 |
| BAE Systems Plc | 997,109 | 948,041 |
| Baker Hughes | 1,610,308 | 1,281,767 |
| Bank of New York Mellon | 2,715,880 | 1,899,171 |
| BNP Paribas | 2,269,652 | 1,322,605 |
| BP Plc | 1,442,366 | 1,698,735 |
| Brocade Communications | 1,144,284 | – |
| Chesapeake Energy | 1,351,257 | 796,404 |
| Cheung Kong Holdings | – | 927,525 |
| Chevron Corp | – | 1,509,147 |
| China Merchant Holdings | 522,036 | 434,628 |
| China Mobile (HK) Ltd | 735,288 | 685,682 |
| China Telecom Corp | 1,682,901 | 1,364,241 |
| Cisco Systems | 3,267,980 | 2,059,937 |
| Citigroup Inc. | 2,491,399 | 1,270,834 |
| Compagnie De Saint Germain | 1,493,177 | – |
| Compal Electronic | – | 387,304 |
| Credit Agricole | 1,933,338 | 987,782 |
| Credit Suisse Group | 1,800,874 | 1,081,274 |
| CRH Plc | 2,156,953 | 1,219,112 |
| CVS/Caremark Corp | 2,431,025 | 1,774,742 |
| DBS Group Holdings Ltd | 507,348 | 405,889 |

## 25. SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME CONTINUED

| Company | 30 June 2013 $ | 30 June 2012 $ |
|---|---|---|
| Dell Inc | 1,080,326 | 1,171,204 |
| Deutsche Post | 1,028,238 | 1,151,091 |
| E.ON Ag | – | 847,831 |
| Elan Corp PLC | 739,944 | – |
| Electronic Arts Inc. | 705,901 | – |
| Eni Spa | 2,104,001 | 1,218,306 |
| Flextronics International Ltd | 1,607,479 | 1,149,472 |
| Forest Laboratories | 1,630,465 | – |
| France Telecom | 1,172,539 | 1,457,336 |
| Gap Inc | – | 333,375 |
| Gazprom ADR | 489,812 | 830,941 |
| GDF Suez | – | 373,600 |
| General Electric Co | 1,622,426 | 2,086,570 |
| Gilead Sciences | 2,232,797 | 1,324,452 |
| Glaxosmithkline Plc | 3,316,626 | 2,355,349 |
| Halliburton | 817,673 | 497,220 |
| Home Depot Inc | – | 796,470 |
| HSBC Holdings Plc | 1,948,804 | 1,467,969 |
| ING Groep | 2,050,660 | 1,345,137 |
| Itochu Corp | 1,754,151 | 1,417,036 |
| JP Morgan Chase | 1,549,058 | 705,851 |
| KB Financial Group | 972,778 | 934,651 |
| KBC Groep NV | 1,528,558 | 834,280 |
| Keihin Corp | 1,329,524 | – |
| Kingfisher Plc | 1,495,509 | 890,668 |
| Lloyds Banking Group | 1,726,744 | 1,245,707 |
| Lufthansa | 1,596,061 | 1,155,737 |
| Lyondellbasell Industries | 1,086,115 | – |
| Medtronic Inc | 2,818,226 | 1,892,843 |
| Merck & Co Inc | 1,879,618 | 2,137,798 |
| Merck KGAA | 1,998,645 | 1,304,635 |
| Michelin | 1,603,483 | 1,047,446 |
| Microsoft Corp | 3,788,549 | 2,996,097 |
| Morgan Stanley | 2,658,094 | 1,417,178 |
| Muenchener Rueckver AG | 1,134,498 | 775,386 |
| Navistar International Corp | 1,572,202 | 1,243,029 |
| Nestle | – | 671,447 |
| News Corp – CL B | 1,077,119 | 1,324,253 |
| Nikon Corp | 1,080,188 | – |
| Nissan Motor Co | 2,210,590 | 1,275,799 |
| Nobel Biocare Holdings | 1,661,049 | – |
| Noble Corp | 1,536,292 | 1,187,112 |

## 25. SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME CONTINUED

| Company | 30 June 2013 $ | 30 June 2012 $ |
|---|---|---|
| Nomura Holdings | – | 490,307 |
| Oracle Systems Corp | 852,564 | 949,195 |
| Pacific Brands Ltd | 1,060,316 | 749,795 |
| Petrobras | 723,389 | 801,394 |
| Pfizer Inc | 3,320,218 | 2,688,596 |
| Philips Electronic | 1,034,863 | 894,901 |
| Posco | 1,632,137 | 655,341 |
| Reed Elsevier NV | 2,699,916 | 1,657,903 |
| Roche Holdings | 3,144,913 | 2,148,261 |
| Royal Dutch Shell – B shares | 1,449,567 | 1,870,125 |
| Saic Inc | 918,369 | 712,862 |
| Samsung Electronics | 2,947,857 | 2,350,768 |
| Sanofi-Aventis | 1,235,501 | 510,051 |
| Statoilhydro ASA | – | 735,385 |
| Suncor Energy Inc | 2,034,659 | 631,066 |
| Suntory Beverages | 1,486,478 | – |
| Swiss Reinsurance | 1,414,265 | 1,561,039 |
| Symantec Corp | 1,378,492 | 989,618 |
| Te Connectivity Ltd | – | 652,391 |
| Telefonica SA | 1,446,764 | 1,327,503 |
| Telekom Austria | 485,578 | 679,189 |
| Telenor ASA | 1,881,447 | 2,365,576 |
| Tesco | 1,718,187 | 1,484,425 |
| Time Warner Cable | 2,766,196 | 1,802,270 |
| TNT Express NV | 1,408,857 | – |
| Tokai Rika Co Ltd | 1,014,365 | – |
| Total SA | 2,376,870 | 1,961,602 |
| Toyota Motor Corp | 2,206,897 | 1,306,598 |
| Trend Micro Inc | 1,117,207 | 483,307 |
| Turk Iletisim | 1,136,595 | 1,114,476 |
| Unicredito Ital SPA | 1,914,259 | 1,381,314 |
| Unipres Corp | 560,260 | – |
| Vale SA-SP Pref ADR | 488,851 | 701,986 |
| Vivendi Universal | 660,516 | 579,817 |
| Vodafone Group Plc | 2,808,781 | 2,770,274 |
| Walgreen Co | 1,553,581 | – |
| **Total** | **166,959,032** | **121,327,705** |

**Templeton Global Growth Fund Ltd.** ABN 44 006 558 149

Level 19
101 Collins Street
Melbourne, Victoria 3000
Telephone (03) 9603 1207
Facsimile (03) 9603 1299

# DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements. and notes set out on pages 13 to 42 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, Corporations Regulations 2001 and other mandatory professional requirements, and

(ii) giving a true and fair view of the Company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

**J A Killen**
*Chairman*

Melbourne
28 August 2013

# Independent auditor's report to the members of Templeton Global Growth Fund Limited

## *Report on the financial report*

We have audited the accompanying financial report of Templeton Global Growth Fund Limited (the company), which comprises the balance sheet as at 30 June 2013, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with 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*

***PricewaterhouseCoopers, ABN 52 780 433 757***
*Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001*
*DX 77 Melbourne, Australia*
*T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au*

*Auditor's opinion*

In our opinion:

(a) the financial report of Templeton Global Growth Fund 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 2013 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;* and

(b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## *Report on the Remuneration Report*

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. 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.

*Auditor's opinion*

In our opinion, the remuneration report of Templeton Global Growth Fund Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

JF Power
Partner

Melbourne
28 August 2013

***PricewaterhouseCoopers, ABN 52 780 433 757***
*Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001*
*DX 77 Melbourne, Australia*
*T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au*

FRANKLIN TEMPLETON INVESTMENTS

**Franklin Templeton Investments Australia Limited** ABN 87 006 972 247

Level 19
101 Collins Street
Melbourne, Victoria 3000
Telephone (03) 9603 1207
Facsimile (03) 9603 1299

# 2013 INVESTMENT MANAGER'S REPORT

Global equities rallied strongly during fiscal year 2013, encouraged by green shoots of fiscal and economic progress in developed markets and the highly accommodative monetary policies of Europe, the US and, more recently, in Japan. Additionally, after a long period of macro-driven trading, the market began to show signs of refocusing on company fundamentals, benefitting our valuation discipline and supporting the fund's solid absolute and relative performance.

Templeton Global Growth Fund Ltd ("TGG") investments returned a gain of 41.2% for the year in A$ compared to 31.3% for the MSCI All Country World Free Index ("Index"). The weakness in the Australian dollar during the period boosted returns.

## PERFORMANCE SUMMARY TO 30 JUNE 2013 - $A

| | Latest 6 Mths % | Latest 12 Mths % | Latest 3 Yrs* % | Latest 5 Yrs* % | Latest 10 Yrs* % | Since Inception* % |
|---|---|---|---|---|---|---|
| TGG ^ | 23.3 | 41.2 | 11.5 | 4.2 | 4.6 | 6.6 |
| MSCI All Country World Free Index | 20.6 | 31.3 | 10.0 | 3.8 | 4.8 | 5.8# |

^ Returns are based on movements in the Company's net assets per share (after deducting investment management fees), before all taxes, with dividends reinvested and adjusted for share issues and share buy-backs.
* Annualised
\# Since inception Index uses MSCI World as MSCI AC World was not in existence at TGG's inception
Shareholders should note that past performance is not necessarily an indicator of future performance

## 2013 IN REVIEW

TGG's holdings outperformed the Index in all major regions, with significant outperformance attributable to stock selection in the US and Europe (both within and outside the Eurozone).

| Major Region Returns (yr to 30 June 2013) | Index (%) | TGG (%) |
|---|---|---|
| North America | 33.5 | 51.9 |
| Europe | 33.1 | 43.6 |
| *Eurozone* | *37.9* | *47.3* |
| *Rest of Europe* | *29.9* | *39.7* |
| Asia | 28.9 | 30.8 |

From a sector point of view, TGG's portfolio showed stronger returns than the Index in nine of the ten sectors. In six of the sectors the degree of out-performance was sizable. As was the case in the half-year report, the Fund's holdings in Eurozone Financials were the biggest contributors, with returns rising by 70% on average for the fiscal year, driven by the continued resurgence in France (Credit Agricole rose by 118%, AXA by 73% and BNP by 63%), Belgium (KBC appreciated by 102%) and the Netherlands (ING Groep rose by 52%). TGG's financial stocks in the rest of Europe also posted solid returns, rising by 63% on average, with the most notable being Lloyds Banking Group, which appreciated by 120% over the fiscal year on the back of strong increases in capital, supportive earnings results and a reduction in non-core assets. In fact, many of TGG's European financial holdings have restructured to bolster their profitability and meet more stringent capital requirements under Basel III. Enhanced capital returns and improved returns on equity in a muted loan growth environment should allow these firms to generate excess cash flows, which we expect to be returned to shareholders in the form of improved dividends and buybacks.

Solid absolute and relative returns were also delivered from the Healthcare sector, which has enjoyed a re-rating from multi-decade low valuations as investors begin to acknowledge the defensive characteristics and growth potential of Pharmaceutical and Biotechnology companies. Likewise, stock selection in Information Technology, Consumer Discretionary and Industrials and an underweight position in Materials also added considerable value. On the contrary, an overweight position in Telecoms modestly detracted from the Fund's relative performance.

| Sector Returns (yr to 30 June 2013) | Index (%) | TGG (%) |
|---|---|---|
| Consumer Discretionary | 45.1 | 58.7 |
| Consumer Staples | 31.2 | 35.1 |
| Energy | 20.6 | 21.1 |
| Financials | 41.2 | 62.4 |
| Healthcare | 42.6 | 56.9 |
| Industrials | 33.9 | 42.0 |
| Information Technology | 23.0 | 42.5 |
| Materials | 8.3 | 16.3 |
| Telecommunications | 23.5 | 23.6 |
| Utilities | 17.7 | (15.2) |

## ECONOMIC AND MARKET OVERVIEW

Global equities advanced over the last six months despite mixed economic news, adverse political developments and periodic bouts of volatility.

In the US, prospects of the Federal Reserve tapering its bond purchase program negatively impacted most asset classes in the final quarter of fiscal 2013. While investor fears of a rise in short-term interest rates under the change in policy direction is unsurprising, the speed and severity of the pullback is extreme, in our view. Firstly, the US stimulus withdrawal will occur only if conditions warrant. It should also be remembered that the Fed's official policy rate remains anchored at the lowest rate in history. Furthermore, we would actually welcome the return to higher market-driven interest rates as long as they result from self-sustainable economic growth instead of sudden inflationary pressures.

In Europe hard-won fiscal progress is being realised and painful austerity measures are beginning to ease. In fact, Germany and the Troika (the EU, ECB and IMF authorities) have become increasingly flexible in their dealings with peripheral Europe, acknowledging the progress being made, and shifting the focus from emergency austerity measures in a time of crisis to structural growth reforms suitable for sustainable economic recovery. Likewise, European policymakers such as the European Central Bank ("ECB") have also become more proficient in at least allaying systemic fears of a market collapse by signalling its intention and willingness to "remain accommodative for as long as needed" and "stand ready to act" should additional measures be needed to boost growth. Despite considerable developments, however, progress is still expected to be volatile and that the region remains modestly in recession for now. We note the recent political crisis in Portugal and Cyprus.

China's slowdown amid broadly sluggish world economic conditions has raised questions about growth prospects in the country and other emerging markets, particularly those commodity-linked economies. Anxiety about China's growth trajectory has been further exacerbated by the turmoil in the country's interbank lending markets, as policymakers attempt to reign in China's massively growing shadow banking system.

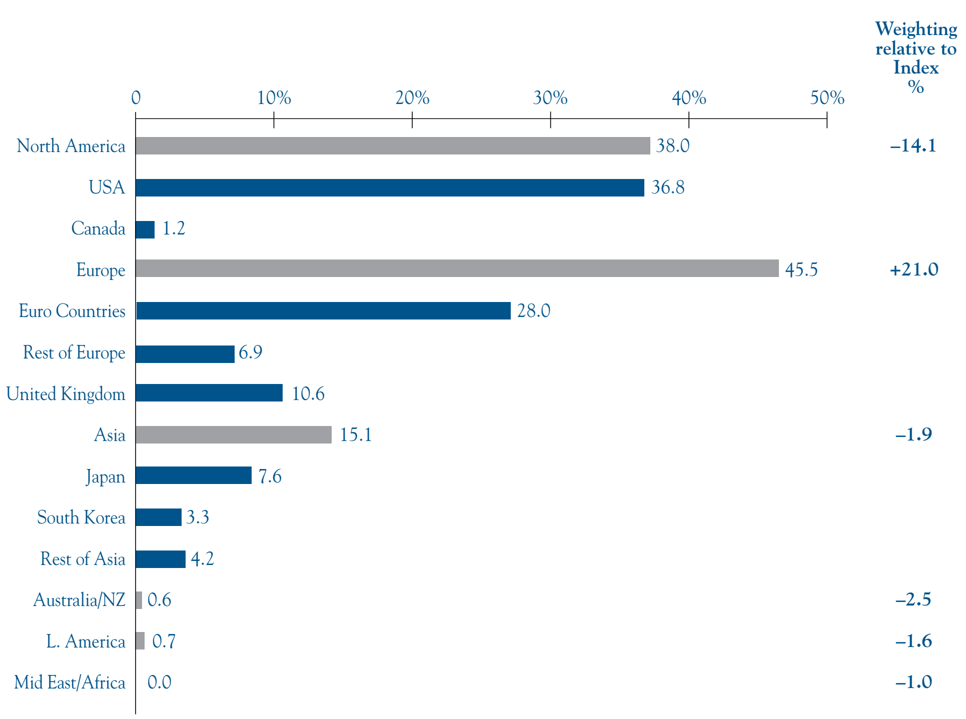
Policy revolution in Japan is underway, but the quantitative easing battle against deflation does little to address the significant debt, demographics or the structural challenges in that economy and industry structure, where significant headwinds remain. As bottom-up stockpickers, our main concern in Japan, is that reform will again stop shy of the structural changes needed for corporate Japan to gain global competitiveness and thereby deliver returns above the cost of capital. In our view, the jury is still out and the recent rush to embrace Japan will likely face significant headwinds and risks, although we have found some recent bargains in the country.

Consequently, divergent economic scenarios and policy developments around the world have seen equity correlations come down, an encouraging sign in our view that investors are beginning to refocus on fundamentals after a period of sustained macroeconomic orientation.

At home, the weakness during the year in the Australian dollar against most major currencies, boosted both TGG's and the Index's returns. The depreciation reflected the market's concerns of a deteriorating local economy, driven by the slowdown in the Resources sector, the absence of offsetting growth from other industry segments, and a dwindling yield advantage as other economies begin to recover. This slowdown has the potential to expose some of the excesses that have built up gradually in the economy including an uncompetitive manufacturing base, highly inflated and rigid labour costs and low productivity levels. As such, without any obvious driver of growth to substitute for the slowing resources sector, Australia is at risk of entering a period of low economic growth.

## PORTFOLIO GEOGRAPHIC WEIGHTINGS

AS AT 30 JUNE 2013



## PORTFOLIO STRATEGY

TGG's position remains significantly overweight in Europe, and specifically in the Eurozone, where markets have provided plentiful and undervalued securities. The change in tone from the authorities and the increasing political and market stabilisation in the region provide some comfort that the worst of the austerity measures have passed, giving a higher possibility for companies' earnings to recover and share prices to re-rate.

Apart from the Eurozone, which is trading, on average, at 1.3x Price-to-Book value (P/BV), other areas that look visibly cheap are European and North American Financials (trading at 1.2x P/BV) and Japan (1.3x P/BV). For the Eurozone and Financials these valuations are slightly less than a 40% discount to their 20 year average valuation. While also lowly valued, Japan's 1.3x P/BV is only a 25% discount to its own historic average valuation. Japan's relatively low historic valuation most likely reflects the significant shortfall in profitability of Japanese corporations relative to those in the US and Europe. TGG's stakes in the Eurozone, European and North American Financials and Japanese companies represent a considerable 45% or so of the portfolio.

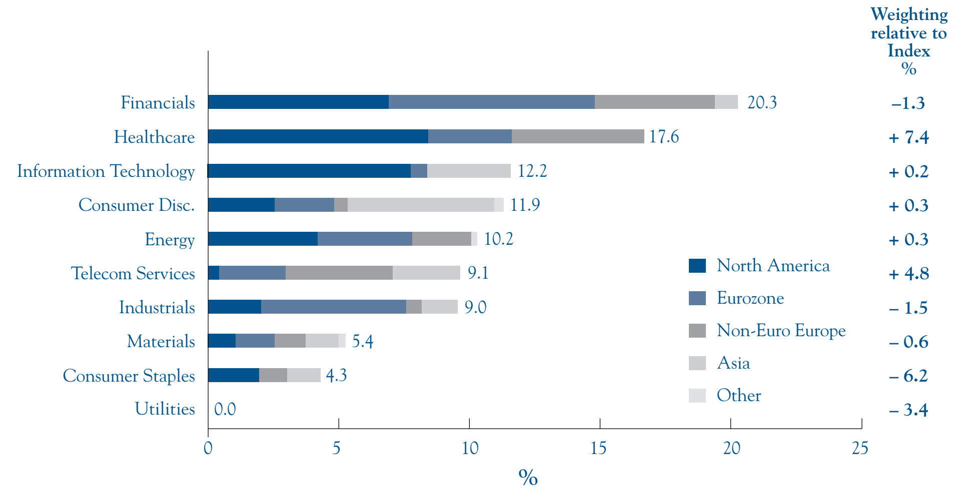
Of course, this does not mean we have not found bargains elsewhere, rather that the remaining part of the portfolio represents undervalued securities selected from within regions or sectors which are likely closer to fair value. To this end, during the year, we have started positions in a range of securities that operate in different markets such as US metal producer Allegheny Technologies, US supplier of networking equipment Brocade Communications and Dutch courier company TNT Express, to name a few.

As highlighted above from the emphasis on American and European Financials, TGG's financial holdings bear little resemblance to the benchmark. While the portfolio overall is slightly underweight Financials, TGG is in fact around 6% overweight in European and North American Non-Real Estate Financials, which represent roughly 20% of the portfolio. This highlights our selective approach to stock picking and more specifically, in this case, our conviction to certain sub-industries and regions within the Financial sector.

Likewise, despite maintaining our long-standing overweight position in Healthcare, it must be noted that the portfolio's composition has slightly changed following the re-rating the sector has witnessed. Notably, the new positions we have opened during the year such as in Elan (an Irish drug company), Forest Laboratories (a US specialty pharmaceutical company) and Nobel Biocare (involved in dental implants) reflects our increasing need to be selective within Healthcare as the global large-cap companies have reverted to more reasonable, but still undervalued prices. This is not to say that we are not positive on our Pharmaceutical and Biotechnology holdings as they still remain core within TGG's portfolio. More specifically, we remain convinced by their potential for earnings growth and sustainable dividend yields driven by aging populations and emerging-market growth. In fact, the global Pharmaceutical sector (the largest component of TGG's Healthcare holdings) remains on around 15x 2014 earnings, with many holdings at lower multiples.

From a sector viewpoint, the geographic breakdown of companies within each sector is shown in the chart below, and vice versa.

PORTFOLIO GEOGRAPHIC-SECTOR WEIGHTINGS
AS AT 30 JUNE 2013




## OUTLOOK

The market has continued the climb the wall of worry and, looking forward, there are headwinds that may trigger further bouts of volatility. So, with no clear sailing in economies and markets anywhere around the world and despite the rally from last year's lows, equity risk premia still remain elevated. In fact, until this calendar year investors continued to withdraw their funds from equities putting them into bonds even though the latter asset class is towards the end of a 30-year bull market (and this is almost a mathematical certainty). It appears investors are weighing heavily in their minds the dual equity bear markets of the last 13 years.

From a valuation perspective, although equities are not as cheap as they once were, it should be noted that TGG's holdings are still not seriously extended with an average P/BV of only 1.3x. Additionally, should the Australian dollar revert closer to its historical average, then TGG shareholders are in for substantial potential upside.

## TOP 15 PORTFOLIO HOLDINGS AS AT 30 JUNE 2013

| Security | Sector | Country | % of Portfolio |
|---|---|---|---|
| Microsoft | Information Technology | United States | 2.2 |
| Sanofi-Aventis | Health Care | France | 2.1 |
| GlaxoSmithKline | Health Care | United Kingdom | 2.0 |
| Pfizer | Health Care | United States | 2.0 |
| Cisco Systems | Information Technology | United States | 1.9 |
| Roche | Health Care | Switzerland | 1.9 |
| Amgen | Health Care | United States | 1.8 |
| Samsung Electronics | Information Technology | South Korea | 1.7 |
| Medtronic | Health Care | United States | 1.7 |
| Vodafone | Telecommunication Services | United Kingdom | 1.7 |
| Time Warner Cable | Consumer Discretionary | United States | 1.6 |
| Bank of New York Mellon | Financials | United States | 1.6 |
| Reed Elsevier | Consumer Discretionary | Netherlands | 1.6 |
| Morgan Stanley | Financials | United States | 1.6 |
| Citigroup | Financials | United States | 1.5 |
| | | | **26.9** |

## INDICATIVE PORTFOLIO CHARACTERISTICS
TGG VS MSCI AC WORLD FREE INDEX AS AT 30 JUNE 2013

**Historic Valuation Measures**

| *Weighted Avg – Stocks Held* | TGG | MSCI AC World |
|---|---|---|
| Price to 2013 Earnings (times) | 14.5 | 15.6 |
| Price to Cash Flow (times) | 5.9 | 9.4 |
| Price to Book Value (times) | 1.3 | 1.9 |
| Dividend Yield (%) | 2.7 | 2.6 |
| Market Capitalisation ($Aust m.) | 76,452 | 72,514 |

# FIVE YEAR SUMMARY

AS AT 30 JUNE

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| **SECTOR WEIGHTINGS (%)** | | | | | |
| Consumer Discretionary | 11.9 | 9.7 | 11.0 | 14.8 | 14.3 |
| Consumer Staples | 4.3 | 3.2 | 4.2 | 5.4 | 4.1 |
| Energy | 10.2 | 13.0 | 13.0 | 11.7 | 12.2 |
| Financials | 20.3 | 20.7 | 19.2 | 15.3 | 15.4 |
| Health Care | 17.6 | 15.7 | 14.1 | 13.8 | 14.7 |
| Industrials | 9.0 | 9.0 | 7.8 | 7.0 | 6.1 |
| Information Technology | 12.2 | 12.9 | 13.8 | 13.6 | 13.7 |
| Materials | 5.4 | 2.1 | 2.1 | 1.9 | 2.8 |
| Telecommunication Services | 9.1 | 12.6 | 12.8 | 14.5 | 15.4 |
| Utilities | 0.0 | 1.0 | 1.9 | 2.1 | 1.5 |
| **GEOGRAPHIC WEIGHTINGS (%)** | | | | | |
| North America | 38.0 | 37.3 | 31.3 | 31.4 | 29.8 |
| Europe - ex UK | 34.9 | 34.0 | 38.7 | 38.0 | 37.1 |
| UK | 10.6 | 12.6 | 11.4 | 11.4 | 13.1 |
| Asia - ex Japan | 7.5 | 10.1 | 10.7 | 9.8 | 9.9 |
| Japan | 7.6 | 4.1 | 4.5 | 4.5 | 4.8 |
| Australia/NZ | 0.6 | 0.6 | 0.8 | 0.0 | 0.0 |
| L. America/Caribbean | 0.7 | 1.2 | 1.5 | 1.6 | 1.5 |
| Mid-East/Africa | 0.0 | 0.0 | 1.0 | 3.3 | 3.9 |

| | | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| **FUNDAMENTAL CHARACTERISTICS*** | | | | | | |
| Price to Earnings | TGG | 14.5x | 10.0x | 12.8x | 12.8x | 10.4x |
| | MSCI AC | 15.6x | 13.4x | 14.2x | 15.8x | 16.8x |
| Price to Book | TGG | 1.3x | 1.2x | 1.5x | 1.4x | 1.4x |
| | MSCI AC | 1.9x | 1.7x | 1.8x | 1.7x | 1.7x |
| Price to Cash Flow | TGG | 5.9x | 4.3x | 6.0x | 6.3x | 4.4x |
| | MSCI AC | 9.4x | 8.1x | 8.8x | 8.4x | 7.6x |
| Dividend Yield | TGG | 2.7% | 3.5% | 3.2% | 3.3% | 3.5% |
| | MSCI AC | 2.6% | 2.9% | 2.5% | 2.6% | 3.0% |
| **YEAR TO 30 JUNE PERFORMANCE** | | | | | | |
| | TGG | 41.2% | -5.4% | 3.8% | 2.3% | -13.5% |
| | MSCI AC | 31.3% | -1.8% | 3.2% | 7.5% | -15.6% |
| **MARKET CAP (A$M)** | | | | | | |
| | TGG | 76,453 | 67,320 | 67,809 | 65,797 | 67,819 |
| | MSCI AC | 72,514 | 63,456 | 54,665 | 56,872 | 59,114 |

**Peter M Wilmshurst CFA**
*Portfolio Manager*
13 August 2013

*There has been a change in the calculation methodology which applies to some of the historic numbers

# LIST OF INVESTMENTS AS AT 30 JUNE 2013

(Note: Certain investments which are listed in stock markets away from their normal place of business have been treated as if listed in their home countries.)

| | Shares Held | AUD Value | % of Total |
|---|---|---|---|
| **AUSTRALIA** | | | |
| **Retail** | | | |
| PACIFIC BRANDS LTD: Manufactures, sources, markets and sells consumer lifestyle brands including apparel and manchester. | 1,514,737 | 1,060,316 | |
| | | 1,060,316 | 0.6 |
| **AUSTRIA** | | | |
| **Telecommunication Services** | | | |
| TELEKOM AUSTRIA AG: Mobile and fixed line service provider with operations in a number of European countries. | 70,460 | 485,578 | |
| | | 485,578 | 0.3 |
| **BELGIUM** | | | |
| **Banking** | | | |
| KBC GROEP NV: Banking and insurance company with Belgium and the Czech Republic as its two main markets. | 37,630 | 1,528,558 | |
| | | 1,528,558 | 0.9 |
| **BRAZIL** | | | |
| **Energy** | | | |
| PETROBRAS: Multinational energy company. | 45,260 | 723,389 | |
| **Mining** | | | |
| VALE SA: Global mining company. | 36,920 | 488,851 | |
| | | 1,212,240 | 0.7 |
| **CANADA** | | | |
| **Energy** | | | |
| SUNCOR ENERGY INC: Integrated energy company operating primarily in Canada, focussed on developing the Athabasca oil sands. | 63,400 | 2,034,659 | |
| | | 2,034,659 | 1.2 |
| **CHINA** | | | |
| **Industrials** | | | |
| CHINA MERCHANTS HOLDINGS: Operator of container and cargo terminals, port transportation and airport cargo handling. | 153,790 | 522,036 | |

| | Shares Held | AUD Value | % of Total |
|---|---|---|---|
| **Telecommunication Services** | | | |
| CHINA MOBILE LTD: Provider of mobile telecommunications services in China. | 64,330 | 735,288 | |
| CHINA TELECOM: Principal activity is the provision of wireline telecommunications services in provinces throughout Southern China and mobile services nationally. | 3,238,000 | 1,682,901 | |
| | | 2,940,225 | 1.8 |
| **FRANCE** | | | |
| **Automobiles & Components** | | | |
| MICHELIN (CGDE): Manufactures tyres for automobiles, trucks and special vehicles. | 16,441 | 1,603,483 | |
| **Banking** | | | |
| CREDIT AGRICOLE SA: Banking group also operating in asset management and insurance. | 206,343 | 1,933,338 | |
| BNP PARIBAS SA: Global banking and financial services group. | 38,077 | 2,269,652 | |
| **Energy** | | | |
| TOTAL SA: Explores for, produces, refines, transports and markets oil and natural gas. The company also operates a chemical division which produces polypropylene, polyethylene, polystyrene, rubber, paint, ink, adhesives, and resins. | 44,670 | 2,376,870 | |
| **Industrials** | | | |
| ALSTOM: Develops, constructs, markets and provides systems, components, and support in the fields of transport and e nergy infrastructure. | 12,710 | 454,021 | |
| COMPAGNIE DE SAINT-GOBAIN: Manufactures glass products, high-performance materials, and constructionmaterials. The Company produces flat glass, insulation, and glass containers, high-performance ceramics, plastics, and building materials. Saint-Gobain also retails building materials. | 33,810 | 1,493,177 | |
| **Insurance** | | | |
| AXA SA: A Company providing insurance (life and non-life), financial services and real estate services in Europe, Asia and North America. | 109,158 | 2,339,110 | |
| **Media** | | | |
| VIVENDI SA: Media and telecommunication conglomerate | 32,012 | 660,517 | |
| **Pharmaceuticals & Biotechnology** | | | |
| SANOFI - AVENTIS: The Company's principal activity is the provision of products and services for health and nutrition. | 32,036 | 3,619,875 | |
| **Telecommunications** | | | |
| FRANCE TELECOM SA: Mobile and fixed line service provider with operations in a number of European countries. | 113,623 | 1,172,539 | |
| | | 17,922,582 | 10.7 |

| | Shares Held | AUD Value | % of Total |
|---|---|---|---|
| **GERMANY** | | | |
| **Industrials** | | | |
| LUFTHANSA AG: Airline operating both domestically and internationally. | 72,140 | 1,596,061 | |
| **Information Technology** | | | |
| SAP AG NPV: Corporation providing enterprise software applications and support. | 11,100 | 885,545 | |
| **Insurance** | | | |
| MUNICH RE: Large insurance and reinsurance company. | 5,650 | 1,134,498 | |
| **Pharmaceuticals** | | | |
| MERCK KGAA: Global pharmaceutical and chemical enterprise. | 12,050 | 1,998,645 | |
| **Transportation** | | | |
| DEUTSCHE POST AG: Provides German domestic mail delivery, international parcel and mail delivery, freight delivery and logistics services. | 37,920 | 1,028,238 | |
| **Technology Hardware & Equipment** | | | |
| SIEMENS AG: Produces a wide range of industrial and consumer products including trains, electricity generation, medical equipment and building controls. | 13,870 | 1,529,606 | |
| | | 8,172,593 | 4.9 |
| **IRELAND** | | | |
| **Building and Construction** | | | |
| CRH PLC: Core businesses involve primary materials production, value added building products and specialist building materials distribution. | 97,242 | 2,156,953 | |
| **Pharmaceuticals** | | | |
| ELAN CORP: Biotechnology company. | 47,934 | 739,944 | |
| | | 2,896,897 | 1.7 |
| **ITALY** | | | |
| **Banks** | | | |
| UNICREDIT GROUP: Provides consumer and corporate banking and wealth management services. | 374,657 | 1,914,260 | |
| **Energy** | | | |
| ENI SPA: An integrated oil and gas company with operations in a number of countries. | 93,893 | 2,104,001 | |
| | | 4,018,261 | 2.4 |
| **JAPAN** | | | |
| **Automotive** | | | |
| KEIHIN CORPORATION: Supplier of automotive parts and components. The company is part of Honda Motor Co, Ltd. | 79,900 | 1,329,524 | |
| NISSAN MOTOR CO LTD: Multinational automaker. | 200,200 | 2,210,590 | |

| | Shares Held | AUD Value | % of Total |
|---|---|---|---|
| TOKAI RIKA CO LTD: Manufacturer of automobile parts and sensors. The company is part of Toyota Motor Corp. | 46,700 | 1,014,365 | |
| TOYOTA MOTOR CORP: Manufactures, sells, leases and repairs passenger cars, trucks, buses and their related parts. The Company also operates financing services through their subsidiaries. | 33,500 | 2,206,897 | |
| UNIPRES CORP: Mainly engaged in the manufacture and sale of press processing parts for automobiles. The company is part of Nissan Motor Corp. | 28,700 | 560,261 | |
| **Software** | | | |
| TREND MICRO INC ORD: Develops, delivers and supports internet security solutions. | 32,300 | 1,117,207 | |
| **Industrials** | | | |
| ITOCHU CORP: General trading concern comprising textile, materials, machinery, aerospace, energy, chemical, food and finance divisions. | 139,300 | 1,754,151 | |
| NIKON CORP: Manufactures and sells cameras, lenses, and semiconductor-related equipment. | 42,500 | 1,080,188 | |
| SUNTORY BEVERAGE AND FOOD LIMITED: Manufactures and sells beverages and food products worldwide. The company is a part of Suntory Holdings ltd. | 43,600 | 1,486,478 | |
| | | 12,759,661 | 7.7 |
| **NETHERLANDS** | | | |
| **Consumer Durables** | | | |
| AKZO NOBEL: Paint and coatings company with other operations including the production of specialty chemicals. | 32,637 | 2,007,495 | |
| KONINKLIJKE PHILIPS ELECTRONICS NV: A producer of lighting and consumer electronics as well as medical devices, and industrial electronics. | 34,810 | 1,034,863 | |
| **Diversified Financials** | | | |
| ING GROEP NV: A life and general insurance group that offers a range of financial services to individuals, companies and institutions throughout the world. | 206,325 | 2,050,661 | |
| **Media** | | | |
| REED ELSEVIER NV: An international publishing and information provider. | 148,595 | 2,699,916 | |
| **Oil and Gas** | | | |
| SBM OFFSHORE NV: Engineers, supplies and installs most types of offshore terminals and related equipment. Also owns and operates a fleet of floating production storage and offloading units. | 60,479 | 1,110,045 | |
| **Transportation** | | | |
| TNT EXPRESS: Transports goods and documents by truck and air. The Company primarily transports high-tech electronics, automotive, industrial, healthcare and fashion products. TNT specializes in time-certain and day-definite delivery of freight. | 172,182 | 1,408,857 | |
| | | 10,311,837 | 6.2 |

| | Shares Held | AUD Value | % of Total |
|---|---|---|---|
| **NORWAY** | | | |
| **Telecommunication Services** | | | |
| TELENOR ASA: A telecom operator with mobile telecommunication operations in various countries. | 87,340 | 1,881,447 | |
| | | 1,881,447 | 1.1 |
| **RUSSIA** | | | |
| **Energy** | | | |
| GAZPROM: Natural gas extractor. | 68,190 | 489,811 | |
| | | 489,811 | 0.3 |
| **SINGAPORE** | | | |
| **Investment Banking & Brokerage** | | | |
| DBS GROUP HOLDINGS LTD: Provider of financial services including banking and finance, mortgage financing, corporate advisory services, stockbroking, and trustee services.. | 38,000 | 507,348 | |
| **Telecommunication Services** | | | |
| SINGAPORE TELECOMMUNICATIONS LIMITED: Operates and provides telecommunications services in a number of countries. | 582,000 | 1,884,957 | |
| | | 2,392,305 | 1.4 |
| **SOUTH KOREA** | | | |
| **Banks** | | | |
| KB FINANCIAL GROUP: Involved in the provision of commercial and personal banking services, which include remittances, deposits, foreign investments, corporate financing, financial advisory and mid-long term funding. | 29,778 | 972,778 | |
| **Diversified Metals & Mining** | | | |
| POSCO SPONSORED ADR: A multinational steelmaker. | 22,956 | 1,632,137 | |
| **Technology Hardware & Equipment** | | | |
| SAMSUNG ELECTRONICS CO LTD: DRAM and NAND memory manufacturer, also involved in the manufacture of consumer electronics, displays and telecommunications equipment. | 2,298 | 2,947,857 | |
| | | 5,552,772 | 3.3 |
| **SPAIN** | | | |
| **Telecommunication Services** | | | |
| TELEFONICA SA BDR: Telephone company with primary markets in Spain, Latin America and Europe. | 103,801 | 1,446,764 | |
| | | 1,446,764 | 0.9 |
| **SWITZERLAND** | | | |
| **Financials** | | | |
| CREDIT SUISSE GROUP: A financial services group providing investment banking, private banking and asset management services. | 62,262 | 1,800,874 | |

| | Shares Held | AUD Value | % of Total |
|---|---|---|---|
| **Healthcare** | | | |
| ROCHE HOLDINGS: Global healthcare company. | 11,600 | 3,144,913 | |
| NOBEL BIOCARE HOLDINGS: Develops and produces dental implants and dental prosthetics. The Company manufactures permanent replacements for tooth roots, and dental crowns and bridges. | 126,190 | 1,661,048 | |
| **Insurance** | | | |
| SWISS REINSURANCE CO: Offers property/casualty, life and health insurance-based management sevices worldwide. | 17,423 | 1,414,265 | |
| | | 8,021,100 | 4.8 |
| **TURKEY** | | | |
| **Telecommunication Services** | | | |
| TURKCELL: Offers mobile communication services in Turkey and other countries. | 72,450 | 1,136,594 | |
| | | 1,136,594 | 0.7 |
| **UNITED KINGDOM** | | | |
| **Banking** | | | |
| HSBC HOLDINGS PLC: Provides a range of financial services including: personal financial services, commercial banking, investment banking and private banking services. | 170,395 | 1,948,804 | |
| LLOYDS BANKING GROUP: Provides a range of banking and financial services to personal and corporate customers. Its main business activities are retail, commercial, and corporate banking, general insurance, and life, pensions and investment provision. | 1,650,220 | 1,726,744 | |
| **Capital Goods** | | | |
| BAE SYSTEMS PLC: Global defence contractor. | 157,161 | 997,109 | |
| **Consumer Discretionary** | | | |
| KINGFISHER PLC: European home improvement retailer. | 263,214 | 1,495,509 | |
| **Consumer Staples** | | | |
| TESCO PLC: Global grocery and general merchandising. | 312,947 | 1,718,187 | |
| **Financials** | | | |
| AVIVA PLC: Insurance group which provides life and general insurance. | 142,769 | 803,131 | |
| **Pharmaceuticals & Biotechnology** | | | |
| GLAXOSMITHKLINE PLC: Created from the December 2000 merger between GlaxoWellcome and SmithKline Beecham. | 121,495 | 3,316,626 | |
| **Energy** | | | |
| BP PLC: Global oil and petrochemicals company with operations in many countries. | 191,232 | 1,442,366 | |
| ROYAL DUTCH SHELL: Global energy and petrochemical group. | 40,213 | 1,449,567 | |

| | Shares Held | AUD Value | % of Total |
|---|---|---|---|
| **Telecommunication Services** | | | |
| VODAFONE GROUP PLC: Global mobile telecommunications services group. | 902,630 | 2,808,782 | |
| | | 17,706,825 | 10.6 |
| **UNITED STATES OF AMERICA** | | | |
| **Apparel Retail** | | | |
| ABERCROMBIE & FITCH: Retailer focussed on casual wear, through its eponymous stores, plus Hollister and Gilly Hicks. | 15,480 | 765,079 | |
| **Banking** | | | |
| BANK OF NEW YORK MELLON: Global financial services company. | 88,690 | 2,715,880 | |
| CITIGROUP INC: Financial conglomerate with operations in consumer, corporate and investment banking and insurance. | 47,560 | 2,491,399 | |
| **Consumer Staples** | | | |
| WALGREEN CO: Operates retail drugstores that offer a wide variety of prescription and non-prescription drugs as well as general goods. The Company operates stores primarily in the United States. Walgreen's also offers health services, including primary and acute care, wellness, pharmacy and disease management services and health and fitness. | 32,210 | 1,553,582 | |
| **Construction and Farm Machinery** | | | |
| NAVISTAR INTERNATIONAL CORP: Manufacturer and marketer of medium and heavy trucks and mid-range diesel engines. | 51,860 | 1,572,202 | |
| **Electronics** | | | |
| CISCO SYSTEMS INC: Supplier of networking equipment and network management for the internet. | 123,050 | 3,267,980 | |
| GENERAL ELECTRIC COMPANY: Multinational conglomerate | 64,040 | 1,622,426 | |
| **Energy** | | | |
| CHESAPEAKE ENERGY: Natural gas producer. | 60,780 | 1,351,257 | |
| HALLIBURTON CO: Oilfield service company. | 17,940 | 817,673 | |
| NOBEL CORP: Offshore drilling contractor. | 37,430 | 1,536,292 | |
| **Financials** | | | |
| AMERICAN EXPRESS CO: Diversified global financial services company. | 25,880 | 2,111,453 | |
| J P MORGAN CHASE & CO: Global financial services firm providing retail/commercial and investment banking services, plus asset management, credit cards and private banking. | 26,870 | 1,549,058 | |
| MORGAN STANLEY CO: A global financial services firm that provides products and services to a diversified group of clients and customers, including corporations, governments, financial institutions and individuals. | 99,635 | 2,658,094 | |
| **Healthcare** | | | |
| AMGEN INC: Discovers, develops, manufactures, and markets human therapeutics based on cellular and molecular biology. | 28,580 | 3,078,903 | |
| CVS CAREMARK CORP: Retail pharmacy and health care corporation. | 38,930 | 2,431,025 | |
| FOREST LABORATORIES: Pharmaceutical company. | 36,410 | 1,630,465 | |

| | Shares Held | AUD Value | % of Total |
|---|---|---|---|
| GILEAD SCIENCES INC: Biopharmaceutical company that discovers, develops, manufactures and commercialises therapies for viral diseases, infectious diseases and cancer. | 39,910 | 2,232,797 | |
| MEDTRONIC INC: Medical devices technology company. | 50,110 | 2,818,226 | |
| MERCK & CO: Global research pharmaceutical company that discovers, develops, manufactures and markets a broad range of innovative products to improve human and animal health. | 37,040 | 1,879,617 | |
| PFIZER INC: A research-based, global pharmaceutical company that discovers, develops, makes and markets prescription medicines for humans and animals. | 108,348 | 3,320,218 | |
| **Information Technology** | | | |
| DELL INC: A multinational information technology corporation. | 74,240 | 1,080,326 | |
| ELECTRONIC ARTS INC: Developer, marketer, publisher and distributor of video games. | 28,130 | 705,901 | |
| FLEXTRONICS INTERNATIONAL LTD: Supply chain solutions company that offers design, manufacturing, distribution and aftermarket services to original equipment manufacturers. | 190,350 | 1,607,479 | |
| BROCADE COMMUNICATIONS: Specialises in data and storage networking products.. | 182,160 | 1,144,284 | |
| **Materials** | | | |
| ALLEGHENY TECHNOLOGIES: Specialty metals producer. | 59,510 | 1,709,852 | |
| LYONDELLBASELL INDUSTRIES: Manufacture of polyolefin (polypropylene and polyethylene) materials for industrial applications. | 14,950 | 1,086,115 | |
| **Media** | | | |
| NEWSCORP: Diversified media and entertainment company operating in the areas of filmed entertainment, television, cable network programming, satellite television, magazines and newspapers. | 30,050 | 1,077,119 | |
| TIME WARNER CABLE: Media and entertainment conglomerate. | 22,513 | 2,766,196 | |
| **Oil & Gas Drilling** | | | |
| BAKER HUGHES INC: Oilfield services company. | 31,960 | 1,610,308 | |
| **Software & Services** | | | |
| MICROSOFT CORP: Computer software provider. Core offerings include Windows, Office, Windows Server. Newer products include Xbox and Windows Mobile. | 100,430 | 3,788,549 | |
| ORACLE CORP: Supplier of software and hardware for information technology management. | 25,420 | 852,563 | |
| ACCENTURE: Global management consulting, technology services and outsourcing company. | 7,930 | 623,328 | |
| SAIC INC: IT services provider to the US, State and local governments. | 60,390 | 918,369 | |
| SYMANTEC CORP: Provider of security software. | 56,180 | 1,378,491 | |
| **Telecommunication Services** | | | |
| SPRINT NEXTEL CORP: A national wireless provider. The group also offers fixed line calling services. | 160,870 | 1,235,501 | |
| | | 62,988,006 | 37.8 |
| **Total of investments** | | **166,959,032** | **100.0** |