

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**30 JUNE 2015**

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

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# AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED

## ABN 48 140 842 397

### CHAIRMAN'S LETTER

Welcome to the Annual Report for Australian Governance Masters Index Fund Limited (**Company** or **AQF**) for the financial year ended 30 June 2015 (**FY15**).

#### FINANCIAL RESULTS

During FY15, the Company generated a net profit after tax and unrealised movements of \$2.65 million. This compares to a net profit after tax and unrealised movements of \$2.61 million the prior year (30 June 2014).

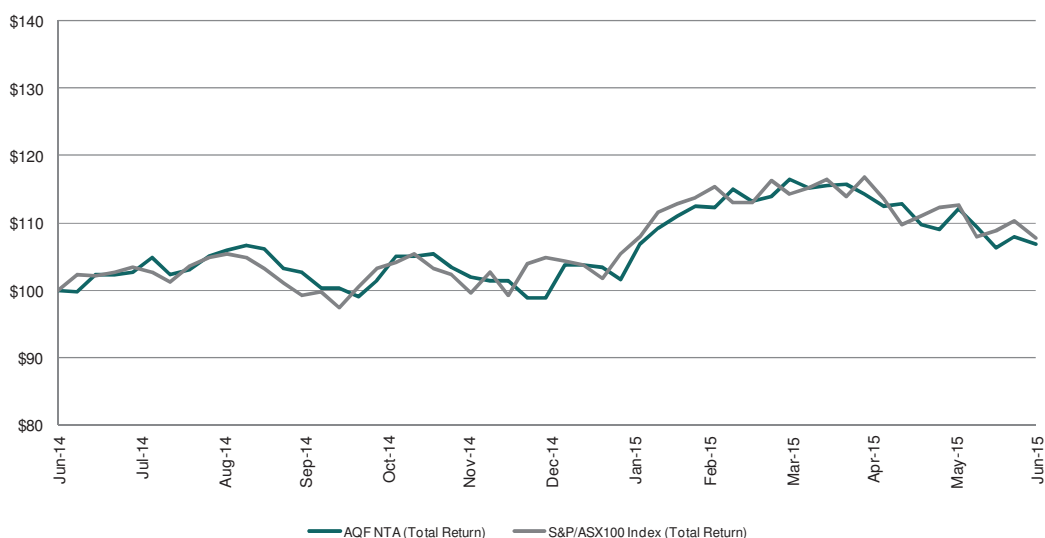
#### POSITIVE SHAREHOLDER RETURNS

FY15 produced strong returns for investors, with a total shareholder return of 9.1% on a pre-tax basis.

The Company paid a fully franked dividend of 3 cents per share on 2 October 2014, a special fully franked dividend of 2.5 cents per share on 15 December 2014 and a fully franked dividend of 3 cents per share on 2 April 2015. Total dividends paid for the year were \$2,765,000, of which \$825,000 was reinvested as part of the Company's Dividend Reinvestment Plan.

The basic and diluted earnings per share after tax was 8.10 cents, while the Company produced a dividend yield of 4.4% during FY15.

The performance over the financial year of the Company's weekly pre-tax net tangible assets (**NTA**) per share against the S&P/ASX 200 Index (**Index**) is shown below (assuming reinvestment of dividends and prices rebased to \$100 at the beginning of FY15):



#### STRATEGIC PROGRESS

The Company pursues an active corporate governance strategy by investing in approximately 75 to 85 of the best governed Australian companies within the Index, as ranked by the Company's corporate governance analysis and third party research.

The Company actively participates in shareholder meetings and corporate actions by voting in accordance with corporate governance best practices. During FY15, the Company participated in 61 shareholder votes, voting on a total of 369 resolutions.

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**CHAIRMAN'S LETTER**

**CAPITAL MANAGEMENT**

The Company's goal is to manage its capital so as to achieve the most efficient capital structure and optimise returns to Shareholders.

On 8 September 2014, the Company received Shareholder approval for the on-market buy-back of up to a maximum of 25% of the issued ordinary Shares during the 12 month period from the 9 September 2014 to 8 September 2015.

At the Company's Annual General Meeting (**AGM**) on 20 November 2014, the Board proposed to commence a new buy-back program that is aligned with the Company's AGM schedule. Accordingly, Shareholders approved the on-market buy-back of up to a maximum of 25% of the issued ordinary Shares during the 12 month period from 21 November 2014. Aligning the timing of this buy-back program with the Company's Annual General Meeting schedule will also have additional cost and administrative benefits as the Company will not need to convene a separate general meeting if it seeks Shareholder approval to extend the buy-back program for a further 12 months.

Yours sincerely,



**Mr Jeffrey Whalan AO**

Chairman

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
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**MANAGER'S REPORT**

**MARKET COMMENTARY**

Despite the Australian share market being affected by a severe fall in commodity prices, FY15 saw the market post a positive return on the back of falling interest rates, an influx of strong initial public offerings and the continued chase for yield. The S&P/ASX 100 Index (Index) was up 6.1%. Within the broader S&P/ASX 200 Index, sector outperformers included Health Care (+29.2%), Property (+20.3%) and Financials (+10.2%), while weaker returns from Energy (-20.2%), Consumer Staples (-10.4%) and Materials (-6.5%) weighed on the S&P/ASX 200 Index.

In the Financials sector, many fund managers performed well on the back of strong underlying equity investments and favourable currency movements. Despite the continued prospect of additional capital being required by banks, in line with demands from the Australian Prudential Regulatory Authority (APRA), the Financials sector produced a positive return during the period. These returns were even better until mid-April 2015, when capital concerns, together with instability in Greece, came to fore and weighed on investor minds.

Pressure on iron ore and oil prices began early in 2014, increasing rapidly in the second half of 2014 and through to the start of 2015. The iron ore price was down 36.9% in FY15 while Brent Oil was down 30.8%. Although iron ore prices began to recover towards the end of FY15, both low and high cost producers were affected throughout the period. Further price pressure was seen as investors also continued to doubt company abilities to pay a progressive dividend in a continuing low price environment. In the Energy space it was a similar story, as depressed oil prices affected most companies within the sector.

Health Care was the best performing sector of the Index in FY15. The sector saw improving results from medical centres, continued product expansions in the US and investors continuing to chase yield.

Despite headwinds from rising bond yields and increased volatility associated with Greece's debt problems, Property was one of the strongest performing sectors in FY15. Outperforming equities and bonds, the A-REIT sector was also the second best major global real estate market after the UK in FY15. Low interest rates and Australian dollar made it a more attractive asset class for local and international investors.

Consumer Staples had a tough year as the Australian food retail sector enters a period of uncertainty. Key players in the space continue to face increased competition in the supermarket segment from overseas entrants, while other business divisions are competing with online sales for market share.

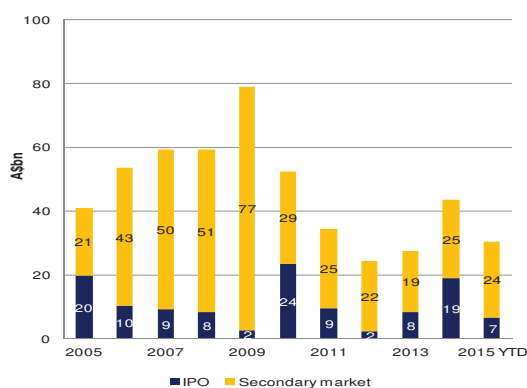
The Reserve Bank of Australia (**RBA**) lowered the official cash rate from 2.50% to 2.25% in February 2015 and then again to 2.00% in May 2015. RBA Governor Glen Stevens continued to state that a "further depreciation of the exchange rate seemed to be both likely and necessary, particularly given the significant declines in key commodity prices, and that such an outcome would help to achieve more balanced growth in the economy and assist with the transition to a lower terms of trade." The RBA therefore concluded that the best course during FY15 was to ease the monetary policy and will continue to monitor the economy and its transition from resource driven growth to services and industrial growth.

Companies took advantage of the strong performing equity markets, as investors were more receptive in FY15 to IPOs after three lean years of IPO activity. While successful Health Care and Financial sector IPOs during FY15 may encourage companies to IPO in FY16, investors will remain wary given the heightened volatility in global markets. During FY15, the Company's portfolio was adjusted by the inclusions of medical companies Medibank Private Limited (\$5.5 billion IPO) and Healthscope (\$3.6 billion IPO) to the Index.

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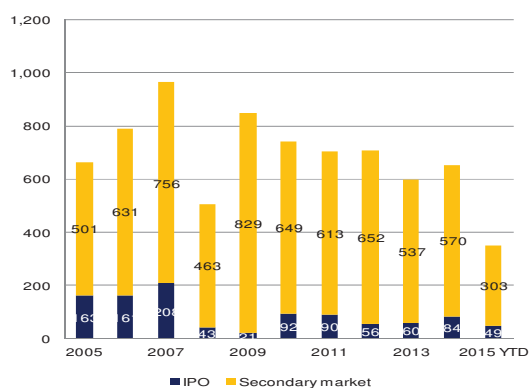
**MANAGER'S REPORT**

**Equity raising (by value)**



Source Thompson Reuters

**Equity raising (by number)**



M&A activity was assisted by low interest rates and generally stronger corporate balance sheets after a period of deleveraging. Overall, M&A activity in the first half of 2015 rose by 14%, with announced deals totalling \$97.8 billion in value. A slowdown in key domestic sectors Materials and Energy has forced companies to look abroad for higher growth opportunities. Outbound transactions more than doubled to \$22.3 billion during FY15, while cross-border M&A activity also lifted during the period, totalling \$48.5 billion. Inbound M&A focused on a) Australia's relatively high yields in sectors like Property and Health Care, and b) Australia's growth through Asia in sectors such as Agriculture and Industrials. Outbound M&A sought to diversify away from the predicted low growth environment in Australia stemming from the transition away from mining led growth while also diversifying away from Australian dollar earnings given the likelihood of further falls.

Major deals in FY15 included Japan Post's \$8 billion takeover of Toll Holdings, China's Guangdong Rising Asset Management (GRAM) acquiring PanAust for \$1.4 billion, Woolworths Holdings acquiring David Jones for \$2.2 billion and TPG Telecom's \$1.4 billion takeover of iiNet Limited. Other notable transactions included the \$2.2 billion merger between Novion Property Group and Federation Centres and BHP spinning off its alumina, coal, manganese and silver divisions to create South32.

Outside of Australia, geopolitical tensions in the Middle East, the Russia-Ukraine crisis and concerns associated with the Greek debt problems affected markets in FY15. US economic data was positive as labour market conditions improved, while consumer confidence and economic conditions also continued to perform stronger.

Improvements in both the Australian and world economies, combined with promising local earnings forecasts and an anticipated broadening in Australia's economic growth following a period of widespread cost-cutting, are positive signs for investors. The Company, underpinned by a strong balance sheet and comprehensive governance metrics analysis, is well-positioned to benefit from the expected growth of the companies that it invests in.

**INVESTMENT PORTFOLIO**

The market value of the investment portfolio, allocated across 76 companies, at 30 June 2015 is shown below:

| COMPANY                        | MARKET VALUE (\$) | WEIGHT (%) |
|--------------------------------|-------------------|------------|
| COMMONWEALTH BANK OF AUSTRALIA | 7,159,774         | 12.01%     |
| WESTPAC BANKING CORPORATION    | 5,183,448         | 8.70%      |
| AUST AND NZ BANKING GROUP      | 4,598,063         | 7.72%      |
| NATIONAL AUSTRALIA BANK LTD    | 4,500,714         | 7.55%      |

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**MANAGER'S REPORT**

|                           |           |       |
|---------------------------|-----------|-------|
| BHP BILLITON LIMITED      | 4,485,810 | 7.53% |
| TELSTRA CORP LTD          | 3,878,773 | 6.51% |
| WESFARMERS LTD            | 2,266,706 | 3.80% |
| CSL LTD                   | 2,082,371 | 3.49% |
| WOOLWORTHS LTD            | 1,764,451 | 2.96% |
| MACQUARIE GROUP LTD       | 1,402,522 | 2.35% |
| WOODSIDE PETROLEUM LTD    | 1,253,366 | 2.10% |
| RIO TINTO LTD             | 1,178,093 | 1.98% |
| AMP LTD                   | 920,055   | 1.54% |
| TRANSURBAN GROUP          | 918,226   | 1.54% |
| SUNCORP GROUP LTD         | 892,826   | 1.50% |
| BRAMBLES LTD              | 856,310   | 1.44% |
| AMCOR LIMITED             | 846,208   | 1.42% |
| ORIGIN ENERGY LTD         | 686,264   | 1.15% |
| INSURANCE AUSTRALIA GROUP | 675,197   | 1.13% |
| SYDNEY AIRPORT            | 568,841   | 0.95% |
| AGL ENERGY LTD            | 540,907   | 0.91% |
| STOCKLAND                 | 497,564   | 0.83% |
| SOUTH32 LTD               | 491,121   | 0.82% |
| APA GROUP                 | 474,418   | 0.80% |
| CALTEX AUSTRALIA LTD      | 443,320   | 0.74% |
| SONIC HEALTHCARE LTD      | 443,235   | 0.74% |
| LEND LEASE GROUP          | 411,867   | 0.69% |
| RAMSAY HEALTH CARE LTD    | 409,513   | 0.69% |
| SANTOS LTD                | 405,539   | 0.68% |
| ORICA LTD                 | 404,895   | 0.68% |
| ASX LTD                   | 399,080   | 0.67% |
| JAMES HARDIE INDUSTRIES   | 396,836   | 0.67% |
| GPT GROUP                 | 390,392   | 0.66% |

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|                                |         |       |
|--------------------------------|---------|-------|
| MIRVAC GROUP                   | 349,062 | 0.59% |
| ASCIANO LTD                    | 335,147 | 0.56% |
| INCITEC PIVOT LTD              | 333,314 | 0.56% |
| COMPUTERSHARE LTD              | 308,149 | 0.52% |
| MEDIBANK PRIVATE LTD           | 286,019 | 0.48% |
| BENDIGO AND ADELAIDE BANK      | 283,745 | 0.48% |
| TATTS GROUP LTD                | 280,819 | 0.47% |
| SEEK LTD                       | 250,043 | 0.42% |
| COCA-COLA AMATIL LTD           | 249,740 | 0.42% |
| BANK OF QUEENSLAND LTD         | 242,119 | 0.41% |
| BORAL LTD                      | 236,627 | 0.40% |
| COCHLEAR LTD                   | 236,042 | 0.40% |
| ARISTOCRAT LEISURE LTD         | 233,034 | 0.39% |
| HENDERSON GROUP PLC-CDI        | 199,894 | 0.34% |
| TABCORP HOLDINGS LTD           | 195,645 | 0.33% |
| ANSELL LTD                     | 192,816 | 0.32% |
| ECHO ENTERTAINMENT GROUP LTD   | 177,278 | 0.30% |
| ILUKA RESOURCES LTD            | 167,286 | 0.28% |
| DUET GROUP                     | 162,901 | 0.27% |
| HEALTHSCOPE LTD                | 152,075 | 0.26% |
| TPG TELECOM LTD                | 134,308 | 0.23% |
| ORORA LTD                      | 131,313 | 0.22% |
| PERPETUAL LTD                  | 119,449 | 0.20% |
| WORLEYPARSONS LTD              | 118,789 | 0.20% |
| DOMINO'S PIZZA ENTERPRISES LTD | 116,171 | 0.19% |
| MAGELLAN FINANCIAL GROUP LTD   | 113,918 | 0.19% |
| DULUXGROUP LTD                 | 113,531 | 0.19% |
| CARSALES.COM LTD               | 113,170 | 0.19% |
| RECALL HOLDINGS LTD            | 112,037 | 0.19% |



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**MANAGER'S REPORT**

|                                |                   |                |
|--------------------------------|-------------------|----------------|
| DOWNER EDI LTD                 | 108,219           | 0.18%          |
| FLIGHT CENTRE TRAVEL GROUP LTD | 100,215           | 0.17%          |
| ADELAIDE BRIGHTON LTD          | 99,755            | 0.17%          |
| REA GROUP LTD                  | 97,986            | 0.16%          |
| JB HI-FI LTD                   | 97,829            | 0.16%          |
| CSR LTD                        | 97,068            | 0.16%          |
| SIMS METAL MANAGEMENT LTD      | 90,196            | 0.15%          |
| BLUESCOPE STEEL LTD            | 87,666            | 0.15%          |
| GRAINCORP LTD                  | 80,635            | 0.14%          |
| OZ MINERALS LTD                | 74,135            | 0.12%          |
| NAVITAS LTD                    | 67,713            | 0.11%          |
| PANAUST LTD                    | 53,557            | 0.09%          |
| METCASH LTD                    | 53,004            | 0.09%          |
| MYER HOLDINGS LTD              | 37,857            | 0.06%          |
| <b>SUBTOTAL</b>                | <b>58,916,977</b> | <b>98.87%</b>  |
| CASH                           | 675,433           | 1.13%          |
| <b>TOTAL</b>                   | <b>59,592,410</b> | <b>100.00%</b> |

\* Source: Walsh & Company Asset Management Pty Limited. Note some figures may not reconcile due to rounding. The historical performance of the Manager is not a guarantee of the future performance of the Portfolio or the Company.

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**CORPORATE GOVERNANCE STATEMENT**

**FOR THE YEAR ENDED 30 JUNE 2015**

The Company is a listed investment company whose shares are traded on the Australian Securities Exchange Limited (**ASX**). The Company has no employees and its day-to-day functions and investment activities are managed by Walsh & Company Asset Management Pty Limited (**Manager**) in accordance with the Management Agreement. The Manager will be responsible for implementing the Company's strategic objectives and operating within the risk appetite as set out within the Investment Guidelines.

The Company's directors and the Manager's directors and senior management recognise the importance of good corporate governance. The Company's corporate governance framework, policies and practices are designed to ensure the effective management and operation of the Company and will remain under regular review.

A description of the Company's practices in respect of the eight Principles and Recommendations from the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**) are set out below. All these practices, unless otherwise stated, were in place for the entire year.

**1. Lay Solid Foundations for Management and Oversight**

**Board Roles and Responsibilities**

The Board is responsible for the overall operation, strategic direction, leadership and integrity of the Company and, in particular, is responsible for the Company's growth and success. In meeting its responsibilities, the Board undertakes the following functions:

- providing and implementing the Company's strategic direction
- overseeing the Manager's implementation of the Company's strategic objective and monitoring its performance
- reviewing and overseeing the operation of systems of risk management to ensure that any significant risks facing the Company are identified, that appropriate control, monitoring and reporting mechanisms are in place and risk is appropriately dealt with
- overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit
- ensuring the Board is comprised of individuals who will discharge the responsibilities of directors having regard to the law and the best standards of governance
- reviewing and overseeing internal compliance and legal regulatory compliance
- ensuring compliance with the Company's Constitution and with the continuous disclosure requirements of the ASX Listing Rules and the *Corporations Act 2001*
- overseeing the Company's process for making timely and balanced disclosures of all material information concerning the Company
- communicating with and protecting the rights and interests of all security holders.

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**FOR THE YEAR ENDED 30 JUNE 2015**

Subject to legal or regulatory requirement and the Company's Constitution, the Board may delegate any of the above powers to individual directors, committees of the Board or the Manager. Any such delegation shall be in compliance with the law and the Company's Constitution.

**Appointment of Directors**

The Company has adopted a formal process to ensure that appropriate checks are undertaken before appointing a person, or putting forward to security holders a candidate for election as a director. The Company has outsourced part of this function to an external service provider, which specialises in completing background checks, to verify the candidate's experience, education, criminal record and bankruptcy history.

Upon proposing a candidate for election or re-election as a director, the Company provides security holders with all the relevant material information in its possession to allow security holders to make an informed decision on whether or not to elect or re-elect the candidate. This information will generally include;

- biographical details of the candidate, including their qualifications, experience and skills which may be relevant to the Board of the Company
- details of any current or past directorships held by the candidate.

Each Director of the Company receives a formal appointment letter outlining their terms of employment, responsibilities, conditions and expectations of their engagement.

**Role of the Company Secretary**

The Company Secretary of the Company is directly accountable to the Board, through the Board Chairperson on all matters to do with the proper functioning of the Board. This includes:

- advising the Board on governance matters
- circulating to the Board all board papers in advance of any proposed meeting
- ensuring that the business at board meetings is accurately captured in the minutes
- facilitating the induction and professional development of directors.

**Diversity**

The Company currently does not have any employees and therefore has adopted a Diversity Policy which is applicable only at the Board level. A copy of the policy setting out its objectives and reporting practices can be found on the Company's website.

As required by the policy, at the commencement of each financial year, the Board is required to set measurable objectives to allow it to achieve diversity on the board. The measurable objectives for gender diversity, agreed by the Company's Board of Directors for FY15, are set out below:

- At least one female director representation on the Board by the end of FY15.

The outcome for the year, as reported by the Board, is set out below:

- At 30 June 2015, there were 1 female and 2 male directors.

The Board was satisfied it had achieved its measurable objectives for FY15.

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**FOR THE YEAR ENDED 30 JUNE 2015**

**2. Structure the Board to Add Value**

**Board Composition**

The Company seeks to maintain a Board of Directors with a broad range of skills. The Company has developed a Skills Matrix below which lists the skills that have been identified as the ideal attributes the Company seeks to achieve across its Board membership:

- Leadership
- Industry Knowledge
- Corporate Governance
- Financial & Accounting
- Funds Management
- Risk Based Auditing & Risk Management
- Capital Raising
- Legal.

The composition of the current Board is structured to maintain a mix of directors from different backgrounds with complementary skills and experience. Details of each director at the date of this report are given in the Directors' Report, including the period in office, skills, experience and expertise relevant to the position of director.

The directors of the Company during the reporting period were:

Mr Jeffrey Whalan - Independent Non-Executive Chairman

Mr Maximilian Walsh - Non-Executive Director

Mr David Hawes - Independent Non-Executive Director (Resigned on 30 April 2015)

Ms Josephine Tan - Independent Non-Executive Director (Appointed on 25 February 2015)

The Company's Constitution stipulates that there must be a minimum of three and a maximum of 10 directors. Having regard to the size of the Company and the nature of its business, the Board has determined that a Board with three members is the appropriate composition and will enable it to continue to effectively discharge its responsibilities to the Company. However, the composition of the Board and its independence will be reviewed periodically.

During the period, a majority of the Board was independent with a minimum of two independent non-executive directors, including Jeffrey Whalan, David Hawes and Josephine Tan. An independent non-executive director is a non-executive director who is independent of the Manager and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their judgement.

The Company is committed to diversity in the composition of the Board. The directors will continue to monitor the composition of the Board.

The Company recognises the ASX Recommendations with respect to establishing remuneration and nomination committees as good corporate governance. However, considering the size of the Company, the functions that would be performed by these committees are best undertaken by the Board.

The Board will review its committees in line with the ASX Recommendations and in light of any changes to the size or nature of the Company and, if required, may establish committees to assist it in carrying out its functions. At that time, the Board will adopt a charter for such committees in accordance with the ASX Recommendations and industry best practices.

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It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of non-executive directors on a case-by-case basis and in conformity with the requirements of the ASX Listing Rules and the *Corporations Act 2001*. In accordance with the corporate governance policy, directors are entitled to seek independent advice at the expense of the Company. Written approval must be obtained from the chair prior to a director incurring any expense on behalf of the Company.

**Performance Evaluation**

The Board conducts a review of its collective performance and the performance of its directors annually. This process includes consideration of feedback provided by directors via a questionnaire. The Board and individual directors, including the Chairman, were evaluated during FY15 in accordance with these processes.

**Induction and Ongoing Professional Development**

On appointment, the Directors are individually briefed by the Fund Manager and the Management team. Directors are entitled to receive appropriate professional development opportunities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively. The Company's Induction Program is structured to enable a new Director to gain an understanding of; the Company's Investments, the Company's financial, strategic, operational and risk management position, and their rights, duties and responsibilities.

The Company Secretary is responsible for facilitating the induction and ongoing development of all Directors, and where necessary, from time to time, will recommend relevant courses and industry seminars which may assist Directors in discharging their duties.

**3. Act Ethically and Responsibly**

**Code of Conduct**

The Company is committed to maintaining ethical standards in the conduct of its business activities. The Company's reputation as an ethical business organisation is important to its ongoing success and it expects all its officers and employees to be familiar with, and have a personal commitment to, meeting these standards. In this regard, the directors have adopted a Code of Conduct (**Code**) to define basic principles of business conduct. The Code requires officers and employees to abide by the policies of the Company and the law. The Code is a set of principles giving direction and reflecting the Company's approach to business conduct and is not a prescriptive list of rules for business behaviour. The Code covers ethical operations, compliance with laws, dealings with customers and public officials, conflicts of interest, confidential and proprietary information and insider trading.

A copy of the Code is available on the Company website in the corporate governance section.

**Share Trading Policy**

The Board of the Company has established a Share Trading Policy to apply to trading of the Company's shares on the ASX. This policy outlines the permissible dealing of the Company's shares while in possession of price-sensitive information and applies to all directors of the Company.

The policy places restrictions and notification requirements, including the imposition of blackout periods, trading windows and the need to obtain pre-trade approval.

A copy of the Company's Share Trading Policy is available on the Company website in the corporate governance section.

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In addition, the Manager has also established its own Share Trading Policy, which is applicable to its staff in the Funds Management division. Similarly, this policy also places restrictions and notification requirements, including the imposition of blackout periods, trading windows and the need to obtain pre-trade approval.

**4. Safeguard Integrity in Corporate Reporting**

**Audit Committee**

The Company recognises the ASX Recommendations with respect to establishing an Audit Committee as good corporate governance. However, considering the size of the Company and that the majority of the Board is independent, the functions that would be performed by the Committee are best undertaken by the Board. This is also in line with ASX Recommendations which recognise that "the ultimate responsibility of the integrity of a company's financial reporting rests with the full Board". The Board has adopted a policy to independently verify and safeguard the integrity of its corporate reporting including, but not limited to, the appointment or removal of the external auditor and the rotation of the audit engagement partner.

**5. Making Timely and Balanced Disclosure**

The Company is committed to complying with its continuous disclosure obligations under the *Corporations Act 2001*, the ASX Listing Rules, releasing relevant information to the market and security holders in a timely and direct manner and to promoting investor confidence in the Company and its securities.

The Board has adopted a Continuous Disclosure Policy to ensure the Company complies with its continuous disclosure obligations under the *Corporations Act 2001* and the ASX Listing Rules.

This policy is administered by the Board and the Manager as follows:

- the Board is involved in reviewing significant ASX announcements and ensuring and monitoring compliance with this policy
- the Company Secretary is responsible for the overall administration of this policy and all communications with the ASX
- Senior management of the Manager is responsible for reporting any material price-sensitive information to the Company Secretary and observing the Company's no comments policy.

**6. Respect the Rights of Security Holders**

**Rights of Security Holders**

The Company promotes effective communication with security holders. The Board of Directors has developed a strategy within its Continuous Disclosure Policy to ensure security holders are informed of all major developments affecting the Company's performance, governance, activities and state of affairs. This includes the use of a website to facilitate communication with security holders. Each security holder is also provided online access to the Registry to allow them to receive communications from, and send communication to, the Company and the Registry. Information is communicated to security holders through announcements to the ASX, releases to the media and dispatch of financial reports. ASX announcements are also available via the Company website at [www.governancemasters.com.au](http://www.governancemasters.com.au).

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These include:

- weekly and monthly net tangible asset backing announcements
- quarterly investment updates
- the half-year report
- the annual report
- the notice of annual general meeting, explanatory memorandum and the Chairman's address
- occasional ASX announcements made to comply with the Company's continuous disclosure requirements
- occasional correspondence sent to security holders on matters of significance to the Company.

The Board encourages full participation of security holders at the general meetings to ensure a high level of accountability and identification with the Company's strategy. Security holders who are unable to attend the Annual General Meeting are given the opportunity to provide questions or comments ahead of the meeting and where appropriate, these questions are answered at the meeting. The external auditor is also invited to attend the annual general meeting of security holders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report.

## **7. Recognise and Manage Risk**

### **Risk Management**

The Board is responsible for identifying, assessing, monitoring and managing the significant areas of risk applicable to the Company and its operations. It has not established a separate committee to deal with these matters as the directors consider that the size of the Company and its operations does not warrant a separate committee at this time. The Board liaises with the Manager to identify and manage risk. The Board also monitors and appraises financial performance, including the approval of annual and half-year financial reports and liaising with the Company's auditors.

In order to evaluate and continually improve the effectiveness of its risk management and internal control processes, the Company has adopted a Risk Management Guideline. The Board will annually review the Company's Risk Management Guideline in the Annual Strategy Meeting to satisfy itself that the Risk Management framework continues to be sound. The last review took place on 20 November 2014.

The Company does not have a material exposure to sustainability risks.

The Board receives a letter half-yearly from the Company's external auditor regarding its procedures and reporting that the financial records have been properly maintained and the financial statements comply with the relevant Accounting Standards.

The Manager provides declarations required by Section 295A of the *Corporations Act 2001* for all financial periods and confirms that in its opinion the financial records of the Company have been properly maintained and that the financial statements and accompanying notes comply with the Accounting Standards and give a true and fair view of the financial position and performance of the Company, based on its review of the internal control systems, management of risk, the financial statements and the letter from the Company's external auditor.

Details of the Company's financial risk management are set out in the notes to the financial statements in the Annual Report.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**CORPORATE GOVERNANCE STATEMENT**

**FOR THE YEAR ENDED 30 JUNE 2015**

**8. Remunerate Fairly and Responsibly**

**Remuneration Policies**

Due to the relatively small size of the Company and its operations, the Board does not consider it appropriate, at this time, to form a separate committee to deal with the remuneration of the directors.

In accordance with the Company's Constitution, each director may be paid remuneration for ordinary services performed as a director. Under ASX Listing Rules, the maximum fees payable to directors may not be increased without the prior approval from security holders at a general meeting of the Company. Directors will seek approval from time to time as deemed appropriate. The Company does not intend to remunerate its directors through an equity based remuneration scheme.

The maximum total remuneration of the directors has been set at \$200,000 per annum to be divided among them in such proportions as they agree. However, Maximilian Walsh has agreed not to be paid any remuneration for the services he performs as director. Total directors' fees for the year ended 30 June 2015 were \$108,824.

Remuneration of the directors during the year ended 30 June 2015 is set out in the Directors' Report and in the notes to the financial statements.

**Other Information**

Further information relating to the Company's corporate governance practices and policies has been made available on the Company website at [www.governancemasters.com.au](http://www.governancemasters.com.au).



**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2015**

The directors of the Company present their report together with the financial report of the Company for the year ended 30 June 2015.

**Directors**

The names of the directors in office at any time during, or since the end of, the year are:

Mr Jeffrey Robert Whalan – Independent Non-Executive Chairman  
Mr Maximilian Sean Walsh – Non-Executive Director  
Mr David Charles Hawes – Independent Non-Executive Director (resigned 30 April 2015)  
Ms Josephine Tan – Independent Non-Executive Director (appointed 25 February 2015)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**Company Secretary**

The name of the Company Secretary in office at the date of this report is Ms Hannah Chan.

**Principal Activities and Significant Changes in Nature of Activities**

The principal activity of the Company during the financial year was investing in securities included in the S&P/ASX 100 Index screened for the relative quality of their corporate governance.

There were no other significant changes in the nature of these activities of the Company that occurred during the year.

**Rounding**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable and where noted (\$'000)) under the option available to the Company under ASIC CO 98/100. The Company is an entity to which the Class Order applies.

**Results and Review of Operations**

The Company's profit before tax at 30 June 2015 was \$2,652,000 (2014: \$2,611,000). Profit after providing for income tax was \$2,618,000 (2014: \$2,572,000).

Total comprehensive income for the financial year was \$2,756,000 (2014: \$7,916,000) for the Company.

At 30 June 2015, the Company is in a strong position with total assets of approximately \$60.1 million with no borrowings. The net asset value per ordinary share of the Company was \$1.83 after unrealised gains and adjustment for tax (2014: \$1.84 per ordinary share).

The weighted average number of ordinary shares for the year was 32,330,885. The basic and diluted earnings per share after tax was 8.10 cents.

During the year ended 30 June 2015, the Company bought back 2,530,847 ordinary shares for a total consideration of \$4,908,000.

Further details are included in the Chairman's Letter which forms part of this report.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2015**

**Dividends Paid**

The Company paid a fully franked dividend of 3 cents per share on 2 October 2014, a special fully franked dividend of 2.5 cents per share on 15 December 2014 and a fully franked dividend of 3 cents per share on 2 April 2015. Total dividends paid for the year was \$2,765,000 of which \$825,000 was reinvested as part of the Company's Dividend Reinvestment Plan.

**Significant Changes in State of Affairs**

There were no significant changes in the state of affairs of the Company that occurred during the financial year ended 30 June 2015.

**Future Developments, Prospects and Business Strategies**

The Company will continue to undertake its activities as described in this report, that being, investing in approximately 75 to 85 of the best governed Australian companies within the S&P/ASX 100 Index as ranked by the Company's corporate governance analysis and third party research.

**Environmental Issues**

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

**Options**

No options over issued shares or interests in the Company were granted during, or since the end of, the financial year and there were no options outstanding at the date of this report.

**Indemnifying Officers or Auditor**

Indemnities have been given during, or since the end of, the financial year for all of the directors of the Company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid during, or since the end of, the financial year for the auditor of the Company.

**Proceedings on Behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all, or any part of, those proceedings.

The Company was not a party to any such proceedings during the year.

**Matters Subsequent to the Reporting Period**

Since 30 June 2015, the Company bought back a further 49,051 fully paid ordinary shares for a total consideration of \$95,663. The Company's buyback program will continue until close of trade on 8 September 2015.

On 19 August 2015, the Company announced a fully franked dividend of \$0.03 per share which is anticipated to be paid to shareholders on, or around, 24 September 2015. The record date for determining entitlement to the dividend is 26 August 2015.

Other than those disclosed in the financial report, there were no other matters or circumstances that have arisen since the end of the financial year that will significantly affect the entity's operations, the results of those operations or the state of affairs in future financial years.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2015**

**Information on Directors**

**Jeffrey Robert Whalan** AO, BA

Independent Non-Executive Chairman

Jeffrey is an Independent Director of Australian Governance Masters Index Fund Limited. He is Managing Director of the Jeff Whalan Learning Group, a specialist human resources company. Jeffrey is also an Independent Director of Global Resource Masters Fund Limited. He was a senior executive officer in the Australian Public Service from 1990 to 2008.

Jeffrey was appointed an Officer in the Order of Australia in 2008 for his work as chief executive officer of Centrelink. Among other things, the award recognised his achievements in 'the development of corporate accountability processes'.

Jeffrey is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management.

As CEO of Centrelink, Jeffrey was responsible for the largest agency of the Australian Public Service, \$70 billion of government outlays and 27,000 staff. Prior to joining Centrelink, he was chief executive officer of Medicare Australia. Jeffrey has held Deputy Secretary positions in the Departments of Prime Minister and Cabinet, Defence and the then Department of Family and Community Services. He has also held senior executive positions in the Transport and Health departments.

- He was appointed as independent director and Non-Executive Chairman on 30 November 2009.
- He beneficially holds 76,971 fully paid ordinary shares in the capital of the Company.
- During the past three years, he has acted and is currently a Non-Executive Director of the Australian listed public company:
  - Global Resource Masters Fund Limited (since 2008).

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2015**

**Information on Directors (cont.)**

**Maximilian Sean Walsh** AM, BEc

Non-Executive Director

Max is regarded as one of Australia's leading economics and business journalists. He has specialised in the areas of business, economics and politics in a journalistic career spanning many decades. He has been editor and managing editor of The Australian Financial Review and editor-in-chief of The Bulletin. He has also served on the board of Northern Star TV (predecessor to Channel Ten).

Max serves as Chairman of the Australian Masters Corporate Bond Fund Series, Australian Masters Yield Fund Series 1 to 3 Limited. Max also serves as Non-Executive Director of Asian Masters Fund Limited and Non-Executive Chairman of Global Resource Masters Fund Limited. He is also on the Advisory Board of Emerging Markets Masters Fund.

- He was appointed as Non-Executive Director on 30 November 2009.
- He directly holds one and beneficially holds 50,000 fully paid ordinary shares in the capital of the Company.
- During the past three years, he has acted and is currently a Non-Executive Director or a director of the responsible entity of the following Australian listed public entities:
  - Asian Masters Fund Limited (since 2007)
  - Global Resource Masters Fund Limited (since 2008)
  - Australian Masters Corporate Bond Fund No 4 Limited (since 2008, delisted 14 January 2013)
  - Australian Masters Corporate Bond Fund No 5 Limited (since 2009)
  - Australian Masters Yield Fund No 1 Limited (since 2010)
  - Australian Masters Yield Fund No 2 Limited (since 2010)
  - Australian Masters Yield Fund No 3 Limited (since 2011)
  - US Masters Residential Property Fund (since 2011 until 22 June 2015)
  - US Select Private Opportunities Fund (since 2012 until 23 April 2014).

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2015**

**Information on Directors (cont.)**

**David Charles Hawes** BCom, Dip Ed

Independent Non-Executive Director (resigned 30 April 2015)

David has held senior executive positions in both the public and private sectors, specialising in international trade and economic issues.

He was Deputy Secretary in the Department of Foreign Affairs and Trade. With over 20 years experience in international trade policy and negotiations at bilateral and multilateral levels, he has served in Paris (OECD) and Brussels, and as Australia's Ambassador in Geneva.

David joined Qantas Airways in 1994, in the lead-up to the airline's full privatisation and public listing, and headed its Government and International Relations area until early 2009. His role involved detailed dealings with policy makers and regulators and wide-ranging engagement with internal and external stakeholders. He also represented Qantas on domestic and international industry bodies associated with aviation and tourism.

As a member of Qantas' Executive Committee, David witnessed, and participated in, many of the airline's important corporate governance structures, functions and responsibilities. He also served on the board of the Qantas Foundation. David's previous appointments include membership of the Minister for Trade's Trade Policy Advisory Council, the Council on Australia-Latin America Relations, and the board of the Australian Services Roundtable.

- He was appointed as Non-Executive Director on 7 December 2009.
- He beneficially holds 135,000 fully paid ordinary shares in the capital of the Company.
- During the past three years, he has not acted as director of any other Australian listed public company.

**Josephine Tan** BCom, BSc

Independent Non-Executive Director

Ms Tan is currently founding member, COO and CFO of Sandown Bay Resource Capital, a London based mining private equity fund focused on turnaround investments in the junior mining sector. Ms Tan is responsible for designing the investment process, governance structure, operation and compliance framework of the fund, as well as overseeing risk management, financial reporting and regulatory compliance.

Prior to her role at Sandown Bay, Ms Tan was a senior investment banker for UBS AG in both Melbourne and London. During her ten years at UBS she worked across various teams and industry sectors, including as part of the Australian Resources Group, the European Energy Group and the Global Industrials Group. Ms Tan commenced her career at Boston Consulting Group in Melbourne.

- She was appointed as Non-Executive Director on 25 February 2015.
- Holds no shares in the capital of the Company.
- During the past three years, she has not acted as director of any other Australian listed public company.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2015**

**Information on Company Secretaries**

**Hannah Chan** BCom, MCom, CA  
Company Secretary

Hannah has a Bachelor of Commerce degree in Finance from the University of NSW and a Master of Commerce degree in Accounting from the University of Sydney. She is also a member of Chartered Accountants Australia and New Zealand. Prior to joining Dixon Advisory & Superannuation Services Limited, Hannah gained extensive audit experience while working with Deloitte Touche Tohmatsu and Ernst & Young. She is also the Company Secretary of Australian Masters Corporate Bond Fund 5 Limited, Australian Masters Yield Fund Series, Asian Masters Fund Limited, Global Resource Masters Fund Limited and joint Company Secretary of Walsh & Company Investments Limited.

- She was appointed as Company Secretary on 30 November 2009.

**Karen Luu** BEc, CA  
Company Secretary (resigned 17 July 2015)

Karen has a Bachelor of Economics degree, majoring in Accounting and Economics, from the University of NSW. She is a Chartered Accountant with the Institute of Chartered Accountants in Australia. She is concurrently the Company Secretary of Australian Masters Corporate Bond Fund No 5 Limited and Australian Masters Yield Fund Series, Asian Masters Fund Limited and Global Resource Masters Fund Limited.

- She was appointed as Company Secretary on 1 February 2012.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2015**

**Remuneration Report - Audited**

Under the Company's Constitution, each director may be remunerated for ordinary services performed as a director. Under ASX Listing Rules, the maximum fees payable to directors may not be increased without the prior approval from shareholders of the Company at a general meeting. Directors will seek approval from time to time as deemed appropriate.

The maximum total remuneration of the directors has been set at \$200,000 per annum, to be divided among them in such proportions as they agree.

***(a) Remuneration of Non-Executive Directors***

The independent non-executive directors are remunerated by the Company. It is the policy of the Board to remunerate at the market rates corresponding with the responsibilities borne by the independent non-executive directors.

The non-independent and non-executive director of the Company, Maximilian Walsh has agreed not to be paid any remuneration for the services he performs as a director.

*Directors' Fees*

The independent non-executive directors' base remuneration is reviewed annually. Fees paid to each director have remained unchanged from the time of their appointment. The amount of base remuneration is not dependent on the satisfaction of a performance condition, or on the performance of the Company, the Company's share price, or dividends paid by the Company.

These fees exclude any additional fee for any service-based agreement, which may be agreed upon from time to time, and any reimbursement of out-of-pocket expenses. These fees are inclusive of statutory superannuation benefits.

*Retirement Benefits to Directors*

The Company does not provide retirement benefits, other than superannuation, to the non-executive directors.

*Other Benefits and Incentives*

The Company does not pay other benefits and incentives to the non-executive directors.

***(b) Key Management Personnel Remuneration***

Key management personnel include the directors who have authority and responsibility for planning, directing and controlling the activities of the Company. No other executive personnel are employed or remunerated by the Company.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2015**

**Remuneration Report – Audited (cont.)**

Details of remuneration paid during the year to key management personnel are set out in the table below.

**2015**

| <b>Directors</b> | <b>Short-term<br/>benefits -<br/>Cash salary<br/>\$</b> | <b>Post<br/>employment<br/>benefits -<br/>Superannuation<br/>\$</b> | <b>Total<br/>\$</b> |
|------------------|---|---|---------------------|
| Jeffrey Whalan   | 45,662  | 4,338   | 50,000              |
| Maximilian Walsh | -   | -   | -                   |
| David Hawes      | 6,667   | 35,000  | 41,667              |
| Josephine Tan    | 17,158  | -   | 17,158              |
| <b>Total</b>     | <b>69,487</b>   | <b>39,338</b>   | <b>108,825</b>      |

**2014**

| <b>Directors</b> | <b>Short-term<br/>benefits -<br/>Cash salary<br/>\$</b> | <b>Post<br/>employment<br/>benefits -<br/>Superannuation<br/>\$</b> | <b>Total<br/>\$</b> |
|------------------|---|---|---------------------|
| Jeffrey Whalan   | 45,767  | 4,233   | 50,000              |
| Maximilian Walsh | -   | -   | -                   |
| David Hawes      | 15,000  | 35,000  | 50,000              |
| <b>Total</b>     | <b>60,767</b>   | <b>39,233</b>   | <b>100,000</b>      |

**(c) Service Agreements**

The Company does not presently have formal service agreements or employment contracts with any key management personnel.

**(d) Beneficial and Relevant Interest of Directors in Shares and Options**

At the date of this report, details of directors hold shares for their own benefit or have an interest in holdings through a third party and the total number of such shares held are listed as follows:

| <b>Directors</b> | <b>Balance at<br/>1 July 2014<br/>No.</b> | <b>Received as<br/>remuneration<br/>No.</b> | <b>Net change<br/>other<br/>No.</b> | <b>Balance at<br/>30 June 2015<br/>No.</b> |
|------------------|---|---|-------------------------------------|--|
| Jeffrey Whalan   | 76,971                                    | -   | -                                   | 76,971                                     |
| Maximilian Walsh | 50,001                                    | -   | -                                   | 50,001                                     |
| David Hawes*     | 135,000                                   | -   | (135,000)                           | -  |
| Josephine Tan    | -   | -   | -                                   | -  |
| <b>Total</b>     | <b>261,972</b>                            | <b>-</b>                                    | <b>(135,000)</b>                    | <b>126,972</b>                             |

\* David Hawes resigned as a director on 30 April 2015. At 30 June 2015, David Hawes is no longer a member of the Company's key management personnel. As at the date of this report, David Hawes continues to beneficially hold 135,000 units in the Company.



**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2015**

**Remuneration Report - Audited (cont.)**

***(d) Beneficial and Relevant Interest of Directors in Shares and Options (cont.)***

|                  | <b>Balance at<br/>1 July 2013</b> | <b>Received as<br/>remuneration</b> | <b>Net change<br/>other</b> | <b>Balance at<br/>30 June 2014</b> |
|------------------|-----------------------------------|-------------------------------------|-----------------------------|------------------------------------|
| <b>Directors</b> | <b>No.</b>                        | <b>No.</b>                          | <b>No.</b>                  | <b>No.</b>                         |
| Jeffrey Whalan   | 50,231                            | -                                   | 26,740                      | 76,971                             |
| Maximilian Walsh | 50,001                            | -                                   | -                           | 50,001                             |
| David Hawes      | 135,000                           | -                                   | -                           | 135,000                            |
| <b>Total</b>     | <b>235,232</b>                    | <b>-</b>                            | <b>26,740</b>               | <b>261,972</b>                     |

None of the directors holds options over the ordinary shares of the Company.

***(e) Related-Party Transactions***

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated and are as follows:

*Walsh & Company Asset Management Pty Limited*

Mr Maximilian Walsh is a Director of the Company and a Director of the Manager.

*(i) Management Fee*

The Manager is entitled to receive an annualised management fee of 0.49% (exclusive of GST), calculated with reference to the gross value of the Portfolio less fees payable to directors of the Company for the performance of their duties as directors and fees payable to the Auditor in connection with the audit of the annual financial statements and the review of the half-yearly financial statements of the Company.

The management fee paid or payable for the year ended 30 June 2015 was \$220,000 (2014: \$233,000), inclusive of GST. The management fee owed by the Company to Walsh & Company Asset Management Pty Limited at 30 June 2015 was \$17,000 (2014: \$19,000).

The directors of the Company are satisfied that the management fee is in line with market rates.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2015**

**Remuneration Report - Audited (cont.)**

**(e) Related-Party Transactions (cont.)**

*(ii) Brokerage*

As investment broker, Dixon Advisory & Superannuation Services Limited receives brokerage of 0.25% on all transactions undertaken by Australian Governance Masters Index Fund Limited in managing the investment portfolio of the Company. During the year, the brokerage paid was \$29,000 (2014: \$16,000), inclusive of GST. The directors of the Company are satisfied that the brokerage rate is in line with market rates.

This concludes the Remuneration Report, which has been audited.

**Directors' Protection Deeds**

The Company has agreed to provide access to board papers and minutes to current and former directors of the Company while they are directors and for a period of seven years after they cease to be directors.

The Company has agreed to indemnify, to the extent permitted by the *Corporations Act 2001*, each officer in respect of certain liabilities, which the director may incur as a result of, or by reason of (whether solely or in part), being or acting as a director of the Company. The Company has also agreed to maintain in favour of each director a directors' and officers' policy of insurance for the period that he or she is a director and for a period of seven years after the officer ceases to be a director.

**Directors' Meetings**

Attendance of individual directors at board meetings held during the year ended 30 June 2015 is as follows:

|                  | <b>Meetings held</b> | <b>Meetings attended</b> |
|------------------|----------------------|--------------------------|
| Jeffrey Whalan   | 7                    | 7                        |
| Maximilian Walsh | 7                    | 7                        |
| David Hawes      | 6                    | 6                        |
| Josephine Tan    | 2                    | 2                        |

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**DIRECTORS' REPORT**

**FOR THE YEAR ENDED 30 JUNE 2015**

**Non-Audit Services**

During the year, William Buck, the Company's auditor, did not perform any other services in addition to its statutory duties for the Company. William Buck (NSW) Pty Ltd, a related party of the Company's auditor, performed tax review services for the Company.

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid, or payable, to William Buck (NSW) Pty Ltd for non-audit services provided during the year ended 30 June 2015.

|            | \$            |
|------------|---------------|
| Tax review | 11,400        |
|            | <b>11,400</b> |

**Lead Auditor's Independence Declaration**

A copy of the lead auditor's independence declaration for the year ended 30 June 2015 as required under Section 307C of the *Corporations Act 2001* is set out on page 19.

Made in accordance with a resolution of the board of directors made pursuant to Section 298(2) of the *Corporations Act 2001*.



**Mr Jeffrey Robert Whalan**

**Chairman**

19 August 2015

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C  
OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF  
AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2015 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

*William Buck*

**William Buck**  
Chartered Accountants  
ABN 16 021 300 521

*M. Nevill*

**M. Nevill**  
Director  
Dated this 19<sup>th</sup> day of August, 2015

**CHARTERED ACCOUNTANTS  
& ADVISORS**

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Sydney NSW 2000  
Telephone: +61 2 8263 4000

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Parramatta NSW 2150  
PO Box 19  
Parramatta NSW 2124  
Telephone: +61 2 8836 1500  
**williambuck.com**

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2015**

|   | Notes    | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------|----------------|----------------|
| Revenue   | 2        | 3,010          | 2,962          |
| Management fee  | 14       | (205)          | (218)          |
| Directors' fees   | 15       | (109)          | (100)          |
| Other expenses  |          | (44)           | (33)           |
| <b>Profit before income tax</b>   |          | <b>2,652</b>   | <b>2,611</b>   |
| Income tax expense  | 3        | (34)           | (39)           |
| <b>Profit for the year attributable to owners</b>                         |          | <b>2,618</b>   | <b>2,572</b>   |
| <b>Other comprehensive income</b>   |          |                |                |
| <i>Items that will not be reclassified subsequently to profit or loss</i> |          |                |                |
| Gain on revaluation of investments  |          | 197            | 7,634          |
| Provision for tax on the above  |          | (59)           | (2,290)        |
| <b>Total other comprehensive income for the year (net of tax)</b>         |          | <b>138</b>     | <b>5,344</b>   |
| <b>Total comprehensive income for the year attributable to owners</b>     |          |                |                |
|   |          | <b>2,756</b>   | <b>7,916</b>   |
| <b>Earnings per share</b>   |          |                |                |
| <b>Basic earnings per share (cents)</b>                                   | <b>4</b> | <b>8.10</b>    | <b>7.47</b>    |
| <b>Diluted earnings per share (cents)</b>                                 | <b>4</b> | <b>8.10</b>    | <b>7.47</b>    |

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2015**

|                                      | Notes | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------------------------|-------|----------------|----------------|
| <b>Assets</b>                        |       |                |                |
| <i>Current</i>                       |       |                |                |
| Cash and cash equivalents            | 5     | 661            | 228            |
| Receivables                          | 6     | 559            | 576            |
| Prepayments                          |       | 5              | 11             |
| <b>Total Current Assets</b>          |       | <b>1,225</b>   | <b>815</b>     |
| <i>Non-Current</i>                   |       |                |                |
| Financial assets                     | 7     | 58,917         | 63,404         |
| <b>Total Non-Current Assets</b>      |       | <b>58,917</b>  | <b>63,404</b>  |
| <b>Total Assets</b>                  |       | <b>60,142</b>  | <b>64,219</b>  |
| <b>Liabilities</b>                   |       |                |                |
| <i>Current</i>                       |       |                |                |
| Trade and other payables             | 8     | 23             | 82             |
| <b>Total Current Liabilities</b>     |       | <b>23</b>      | <b>82</b>      |
| <i>Non-Current</i>                   |       |                |                |
| Deferred tax liabilities             | 9     | 2,712          | 2,624          |
| <b>Total Non-Current Liabilities</b> |       | <b>2,712</b>   | <b>2,624</b>   |
| <b>Total Liabilities</b>             |       | <b>2,735</b>   | <b>2,706</b>   |
| <b>Net Assets</b>                    |       | <b>57,407</b>  | <b>61,513</b>  |
| <b>Equity</b>                        |       |                |                |
| Issued capital                       | 10    | 48,624         | 52,721         |
| Reserves                             | 11    | 7,338          | 7,200          |
| Retained earnings                    |       | 1,445          | 1,592          |
| <b>Total Equity</b>                  |       | <b>57,407</b>  | <b>61,513</b>  |

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 30 JUNE 2015**

|   | Notes | Issued<br>capital<br>\$'000 | Asset<br>revaluation<br>reserve<br>\$'000 | Capital<br>profits<br>reserve<br>\$'000 | Retained<br>earnings<br>\$'000 | Total<br>\$'000 |
|---|-------|-----------------------------|---|---|--------------------------------|-----------------|
| <b>Balance at<br/>1 July 2013</b>   |       | <b>55,201</b>               | <b>3,200</b>                              | <b>(1,344)</b>                          | <b>1,086</b>                   | <b>58,143</b>   |
| Profit for the year   |       | -                           | -   | -                                       | 2,572                          | 2,572           |
| <i>Other comprehensive income</i>   |       |                             |   |   |                                |                 |
| Net change in fair value of investments (net of tax)  |       | -                           | 5,344                                     | -                                       | -                              | 5,344           |
| <b>Total comprehensive income for the year</b>  |       | <b>-</b>                    | <b>5,344</b>                              | <b>-</b>                                | <b>2,572</b>                   | <b>7,916</b>    |
| Transfer to Capital Profits Reserve of<br>cumulative realised gain on<br>disposal of investments (net of tax) |       | -                           | (179)                                     | 179                                     | -                              | -               |
| Shares issued   | 10    | 630                         | -   | -                                       | -                              | 630             |
| Shares bought back  | 10    | (3,101)                     | -   | -                                       | -                              | (3,101)         |
| Issue and buyback costs (net of tax)  | 10    | (9)                         | -   | -                                       | -                              | (9)             |
| Dividends paid  | 12    | -                           | -   | -                                       | (2,066)                        | (2,066)         |
| <b>Balance at<br/>30 June 2014</b>  |       | <b>52,721</b>               | <b>8,365</b>                              | <b>(1,165)</b>                          | <b>1,592</b>                   | <b>61,513</b>   |
| <b>Balance at<br/>1 July 2014</b>   |       | <b>52,721</b>               | <b>8,365</b>                              | <b>(1,165)</b>                          | <b>1,592</b>                   | <b>61,513</b>   |
| Profit for the year   |       | -                           | -   | -                                       | 2,618                          | 2,618           |
| <i>Other comprehensive income</i>   |       |                             |   |   |                                |                 |
| Net change in fair value of investments (net of tax)  |       | -                           | 138                                       | -                                       | -                              | 138             |
| <b>Total comprehensive income for the year</b>  |       | <b>-</b>                    | <b>138</b>                                | <b>-</b>                                | <b>2,618</b>                   | <b>2,756</b>    |
| Transfer to Capital Profits Reserve of<br>cumulative realised gain on<br>disposal of investments (net of tax) |       | -                           | (871)                                     | 871                                     | -                              | -               |
| Shares issued   | 10    | 825                         | -   | -                                       | -                              | 825             |
| Shares bought back  | 10    | (4,908)                     | -   | -                                       | -                              | (4,908)         |
| Issue and buyback costs (net of tax)  | 10    | (14)                        | -   | -                                       | -                              | (14)            |
| Dividends paid  | 12    | -                           | -   | -                                       | (2,765)                        | (2,765)         |
| <b>Balance at<br/>30 June 2015</b>  |       | <b>48,624</b>               | <b>7,632</b>                              | <b>(294)</b>                            | <b>1,445</b>                   | <b>57,407</b>   |

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

|   | Notes        | 2015<br>\$'000 | 2014<br>\$'000 |
|---|--------------|----------------|----------------|
| <b>Cash flows from operating activities</b>                       |              |                |                |
| Interest received from bank                                       |              | 17             | 26             |
| Dividends received  |              | 3,031          | 2,914          |
| Payments to suppliers   |              | (376)          | (363)          |
| Net cash flows provided by operating activities                   | 13(a)        | 2,672          | 2,577          |
| <b>Cash flows from investing activities</b>                       |              |                |                |
| Proceeds from disposal of investments                             |              | 8,206          | 4,959          |
| Payments for purchase of investments                              |              | (3,524)        | (3,295)        |
| Net cash flows provided by investing activities                   |              | 4,682          | 1,664          |
| <b>Cash flows from financing activities</b>                       |              |                |                |
| Dividends paid  |              | (1,940)        | (1,435)        |
| Payments of issue and buyback costs                               |              | (21)           | (15)           |
| Payments of share buybacks  |              | (4,960)        | (3,049)        |
| Net cash flows used in financing activities                       |              | (6,921)        | (4,499)        |
| <b>Net increase / (decrease) in cash<br/>and cash equivalents</b> |              |                |                |
|   |              | <b>433</b>     | <b>(258)</b>   |
| <b>Cash and cash equivalents</b>                                  |              |                |                |
| <b>at beginning of year</b>                                       |              | <b>228</b>     | <b>486</b>     |
| <b>Cash and cash equivalents</b>                                  |              |                |                |
| <b>at end of the year</b>   | <b>13(b)</b> | <b>661</b>     | <b>228</b>     |

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.



**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

The financial statements cover Australian Governance Masters Index Fund Limited (**Company**) as an individual entity. Australian Governance Masters Index Fund Limited is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange Limited (**ASX**).

The financial statements were approved for issue in accordance with a resolution of the directors on 19 August 2015.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial statements.

**1. Summary of Significant Accounting Policies**

**Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non-current assets, financial assets and financial liabilities.

**New Accounting Standards and Interpretations**

The company has adopted all of the new and revised pronouncements which became mandatory for the first time in the current annual reporting period. The adoption of these new and revised pronouncements did not result in any changes to the recognition, measurement or disclosure of amounts presented in the financial statements.

**Accounting Standards and Interpretations issued but not yet effective**

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the Company for the annual reporting year ended 30 June 2015. The following standards, amendments to standards and interpretations have been identified as those which may affect the Company in the period of initial applications.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

**1. Summary of Significant Accounting Policies (cont.)**

| <b>Reference</b>        | <b>Title</b>  | <b>Summary</b>   | <b>Application date of standard</b>                 | <b>Impact on financial report</b>                             | <b>Application date for Company</b> |
|-------------------------|---|--|---|---|-------------------------------------|
| AASB 15 and AASB 2014-5 | AASB 15 Revenue from Contract with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 | <p>AASB 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards AASB 118 Revenue and AASB 111 Construction Contracts, and the related Interpretations on revenue recognition Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers and Interpretation 131 Revenue—Barter Transactions Involving Advertising Services.</p> <p>AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Company expects to be entitled in exchange for those goods or services.</p> <p>AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.</p> | Annual period commencing on or after 1 January 2017 | The company has not yet assessed the impact of this standard. | 1 January 2017                      |

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

**1. Summary of Significant Accounting Policies (cont.)**

**Accounting Standards and Interpretations issued but not yet effective (cont.)**

| <b>Reference</b> | <b>Title</b>   | <b>Summary</b>   | <b>Application date of standard</b>                  | <b>Impact on financial report</b>                    | <b>Application date for Company</b> |
|------------------|--|--|--|--|-------------------------------------|
| AASB 2015-1      | Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle | <p>This Standard makes various amendments to Accounting Standards as part of the International Accounting Standards Board (IASB) International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2012–2014 Cycle including:</p> <ul style="list-style-type: none"> <li>• IFRS 5 – reclassification from held for sale to held for distribution to owners or from held for distribution to owners to held for sale is considered to the continuation of the original plan of disposal</li> <li>• IFRS 7 – adds basis of conclusion to clarify disclosure requirements for transferred financial assets and offsetting arrangements</li> <li>• IAS 19 – confirms that high quality corporate bonds or national government bonds used to determine discount rates must in the same currency as the benefits paid to the employee</li> <li>• IAS 34 - clarifies information about cross references in the interim financial report</li> </ul> | Annual periods commencing on or after 1 January 2016 | This standard is not expected to impact the company. | 1 July 2016                         |

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

| <b>Reference</b> | <b>Title</b>   | <b>Summary</b>  | <b>Application date of standard</b>                 | <b>Impact on financial report</b>   | <b>Application date for Company</b> |
|------------------|--|---|---|---|-------------------------------------|
| AASB 2015-2      | Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101      | The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgements in presenting their financial reports.   | Annual period commencing on or after 1 July 2015    | Application of this standard will not affect any of the amounts recognised in the financial statements. | 1 July 2015                         |
| AASB 2015-3      | Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality | This Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.   | Annual period commencing on or after 1 July 2015    | This standard is not expected to impact the company.  | 1 July 2015                         |
| AASB 9           | Amendments to Australian Accounting Standards arising from AASB9                                   | AASB 9 was early adopted in part during the 2013 financial year in accordance with the transitional provisions of AASB 9 which is issued in December 2009 and available for early adoption at that time. The complete AASB 9 standard as issued in December 2014 incorporating the impairment and hedge accounting requirements has not yet been adopted by the Company, however on mandatory application it is not expected to have any significant impact of the Company's reported financial position or performance due to the nature of the company's financial instruments. | Annual period commencing on or after 1 January 2018 | This standard are not expected to impact the company.   | 1 January 2018                      |

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

**1. Summary of Significant Accounting Policies (cont.)**

**(a) Income Tax**

The income tax expense (benefit) for the year comprises current income tax expense (benefit) and deferred tax expense (benefit).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (benefit) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantially enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists. The deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**(b) Financial Instruments**

Financial Instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by market place convention.

The Company has early adopted AASB 9 'Financial Instruments', which was issued on 7 December 2009. AASB 9 includes requirements for the classification and measurement of financial assets. The revised standard was adopted from 1 July 2012. There were no adjustments required upon initial adoption of this standard.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

**1. Summary of Significant Accounting Policies (cont.)**

**(b) Financial Instruments (cont.)**

**(i) Financial assets**

***Initial recognition and measurement***

When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

The Company determines the classification of its financial assets at initial recognition.

***Subsequent measurement***

The Company classifies its financial assets into those to be measured subsequently at fair value and those to be measured at amortised cost. The classification depends on the Company's business model for managing the financial asset, and the contractual terms of the cash flow.

***Equity investments***

The Company has irrevocably elected to present subsequent changes in fair value of equity instruments in other comprehensive income through the asset revaluation reserve after deducting a provision for the potential deferred capital gains tax liability as these investments are long term holdings of equity instruments.

Dividends earned from such investments are recognised in the profit or loss unless they clearly represent a repayment of part of the cost of the investment.

***Financial assets measured at amortised cost***

A financial asset is subsequently measured at amortised cost using the effective interest rate method and net of any impairment losses if:

- The asset is held within a business model with an objective to hold assets in order to meet contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

***Derecognition***

Cumulative gain or loss on derecognition of equity investments, net of tax thereon, are transferred from the asset revaluation reserve to the capital profits reserve.

**(ii) Financial liabilities**

***Initial recognition and measurement***

Financial liabilities are classified as derivative and non-derivative instruments, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

**1. Summary of Significant Accounting Policies (cont.)**

**(ii) Financial Liabilities (cont.)**

***Subsequent Measurement***

Non-derivative instruments are subsequently measured at amortised cost using the effective interest rate method.

**(iii) Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal (or most advantageous) market at balance date under market conditions.

Fair value is determined as the redemption value for investments. When the redemption price is not available, alternative techniques are applied to determine the fair value of these investments, including recent arm's length transactions, reference to similar instruments and option pricing models.

**(iv) Impairment**

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets carried at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For trade and other receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

**(c) Foreign Currency Transactions and Balances**

***Functional and presentation currency***

The functional currency of the Company is measured using the currency of the primary economic environment in which that Company operates. The financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

**(d) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

**(e) Revenue**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits 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 in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

***Dividends***

Revenue is recognised when the Company's right to receive the payment is established.

All revenue is stated net of the amount of Goods and Services Tax (GST).

**(f) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

In most cases, the Company qualifies for Reduced Input Tax Credits (RITCs) at a rate of 75%; hence expenses have been recognised in the Statement of Profit or Loss and Other Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office.

The net amount of GST recoverable from the Australian Taxation Office is included in Receivables in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(g) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, 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.



**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

**1. Summary of Significant Accounting Policies (cont.)**

**(h) Other Payables**

Other payables are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. The balance is unsecured and is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

**(i) Earnings Per Share**

Basic earnings per share is determined by dividing the operating profit or loss after income tax excluding any cost of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year. Diluted earnings per share is the same because there are no dilutive potential ordinary shares.

**(j) Comparative Figures**

Comparative figures are, where appropriate, reclassified so as to be compatible with the figures presented for the financial year.

**(k) Operating Segment**

The Company operates in Australia and is engaged in investing activities and derives revenue from financial assets, the results of which are disclosed in these financial statements.

**(l) Rounding**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable and where noted (\$'000)) under the option available to the Company under ASIC CO 98/100. The Company is an entity to which the Class Order applies.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

**2. Revenue**

|   | <b>2015</b>   | <b>2014</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| <b>Operating activities</b>                   |               |               |
| Dividend revenue                              | 2,995         | 2,939         |
| Interest income                               | 15            | 23            |
|   | <b>3,010</b>  | <b>2,962</b>  |
| <b>Dividend and distribution income from:</b> |               |               |
| Investments held at the end of year           | 2,848         | 2,865         |
| Investments derecognised during the year      | 147           | 74            |
|   | <b>2,995</b>  | <b>2,939</b>  |

**3. Income Tax Expense**

**(a) The components of tax expense comprise:**

|              |           |           |
|--------------|-----------|-----------|
| Deferred tax | 34        | 39        |
|              | <b>34</b> | <b>39</b> |

**(b) Prima facie tax expense on profit from ordinary activities before income tax at 30% (2014: 30%)**

|                             |           |           |
|-----------------------------|-----------|-----------|
| Less tax effect of:         |           |           |
| Rebatable franked dividends | (762)     | (744)     |
|                             | <b>34</b> | <b>39</b> |

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

**4. Earnings Per Share**

**(a) Earnings used in calculating earnings per share**

|   | <b>2015</b>   | <b>2014</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| Profit used to calculate basic and diluted earnings per share | 2,618         | 2,572         |
|   | 2,618         | 2,572         |

**(b) Weighted average number of shares**

|   | <b>No.</b>        | <b>No.</b>        |
|---|-------------------|-------------------|
| Weighted average number of ordinary shares outstanding during the year used to calculate basic earnings per share | 32,330,885        | 34,444,800        |
| <b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>                             | <b>32,330,885</b> | <b>34,444,800</b> |
|   | <b>32,330,885</b> | <b>34,444,800</b> |

There are no instruments on issue that could potentially dilute basic earnings per share in the future.

**5. Cash and Cash Equivalents**

|                          | <b>\$'000</b> | <b>\$'000</b> |
|--------------------------|---------------|---------------|
| <b>Current</b>           |               |               |
| Cash at bank and on hand | 661           | 228           |
|                          | <b>661</b>    | <b>228</b>    |

The weighted average interest rate on cash at bank is 1.88% (2014: 2.37%) as at year end.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

**6. Receivables**

|                      | <b>2015</b>   | <b>2014</b>   |
|----------------------|---------------|---------------|
|                      | <b>\$'000</b> | <b>\$'000</b> |
| <b>Current</b>       |               |               |
| Dividends receivable | 551           | 571           |
| GST refundable       | 8             | 5             |
|                      | <b>559</b>    | <b>576</b>    |

There are no balances above that contain assets that are impaired or past due. All the receivables above are non-interest bearing.

Due to the short term nature of the balances, the carrying amount is considered a reasonable approximation of fair value.

**7. Financial Assets**

**Non-Current**

*Equity investments*

|   |               |               |
|---|---------------|---------------|
| Fair value through other comprehensive income | 58,917        | 63,404        |
|   | <b>58,917</b> | <b>63,404</b> |

**Reconciliation of financial assets**

|  |               |               |
|--|---------------|---------------|
| Carrying amount at the beginning of the year | 63,404        | 57,443        |
| Additions                                    | 3,524         | 2,213         |
| Revaluation to fair value                    | 197           | 7,634         |
| Disposals                                    | (8,208)       | (3,886)       |
|  | <b>58,917</b> | <b>63,404</b> |

**(a) Investments disposed of during the year ended 30 June 2015**

|                    | <b>Fair value at disposal date</b> | <b>Realised gain on disposals transferred to Capital Profits Reserve</b> |
|--------------------|------------------------------------|--|
|                    | <b>\$</b>                          | <b>\$</b>  |
| Equity investments | 7,590                              | 872  |

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**7. Financial Assets (cont.)**

**Investments disposed of during the year ended 30 June 2014**

|                    | Fair value at<br>disposal date | Realised gain on<br>disposals<br>transferred to<br>Capital Profits<br>Reserve |
|--------------------|--------------------------------|---|
|                    | \$                             | \$  |
| Equity investments | 3,797                          | 179   |

Disposals occurred in the normal course of the Company's operations as a listed investment company.

**(b) Equity Investments at 30 June 2015**

The Company is a long-term equity investor and does not intend to dispose of its total portfolio. As a result, the Company has elected to present in other comprehensive income changes in the fair value of all its equity investments.

All of the following investments are measured at fair value through other comprehensive income.

| Investment                        | Fair value<br>2015 | Fair value<br>2014 |
|-----------------------------------|--------------------|--------------------|
|                                   | \$'000             | \$'000             |
| Commonwealth Bank of Australia    | 7,160              | 7,425              |
| Westpac Banking Corporation       | 5,183              | 5,993              |
| ANZ Banking Group Limited         | 4,598              | 5,215              |
| National Australia Bank Limited   | 4,501              | 4,400              |
| BHP Billiton Limited              | 4,486              | 6,564              |
| Telstra Corporation Limited       | 3,879              | 3,700              |
| Wesfarmers Limited                | 2,267              | 2,726              |
| CSL Limited                       | 2,082              | 1,834              |
| Woolworths Limited                | 1,764              | 2,520              |
| Macquarie Group Limited           | 1,403              | 1,094              |
| Woodside Petroleum Limited        | 1,253              | 1,458              |
| Rio Tinto Limited                 | 1,178              | 1,474              |
| AMP Limited                       | 920                | 890                |
| Transurban Group                  | 918                | 770                |
| Suncorp Group Limited             | 893                | 995                |
| Brambles Limited                  | 856                | 809                |
| Amcor Limited                     | 846                | 714                |
| Origin Energy Limited             | 686                | 916                |
| Insurance Australia Group Limited | 675                | 777                |
| Sydney Airport                    | 569                | 523                |
| AGL Energy Limited                | 541                | 486                |
| Stockland Corporation Limited     | 498                | 511                |
| South32 Limited                   | 491                | -                  |
| APA Group                         | 474                | 328                |

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**7. Financial Assets (cont.)**

**(b) Equity Investments at 30 June 2015**

| <b>Investment</b>                  | <b>Fair value</b> | <b>Fair value</b> |
|------------------------------------|-------------------|-------------------|
|                                    | <b>2015</b>       | <b>2014</b>       |
|                                    | <b>\$'000</b>     | <b>\$'000</b>     |
| Caltex Australia Limited           | 443               | 166               |
| Sonic Healthcare Limited           | 443               | 389               |
| Lend Lease Group                   | 412               | 396               |
| Ramsay Health Care Limited         | 410               | 332               |
| Santos Limited                     | 406               | 785               |
| Orica Limited                      | 405               | 408               |
| ASX Limited                        | 399               | 391               |
| James Hardie Industries PLC        | 397               | 350               |
| GPT Group                          | 390               | 341               |
| Mirvac Group                       | 349               | 371               |
| Asciano Limited                    | 335               | 313               |
| Incitec Pivot Limited              | 333               | 269               |
| Computershare Limited              | 308               | 362               |
| Medibank Private                   | 286               | -                 |
| Bendigo and Adelaide Bank Limited  | 283               | 290               |
| Tatts Group Limited                | 280               | 261               |
| SEEK Limited                       | 250               | 306               |
| Coca-Cola Amatil Limited           | 250               | 285               |
| Bank of Queensland Limited         | 242               | 247               |
| Boral Limited                      | 237               | 229               |
| Cochlear Limited                   | 236               | 198               |
| Aristocrat Leisure Limited         | 233               | 157               |
| Henderson Group                    | 200               | 169               |
| Tabcorp Holdings Limited           | 196               | 140               |
| Ansell Limited                     | 193               | 175               |
| Echo Entertainment Group Limited   | 177               | 143               |
| Iluka Resources Limited            | 167               | 194               |
| Duet Group                         | 163               | -                 |
| Healthscope Limited.               | 152               | -                 |
| TPG Telecom Limited                | 134               | -                 |
| Orora Limited                      | 131               | 101               |
| Perpetual Limited                  | 119               | 128               |
| WorleyParsons Limited              | 119               | 217               |
| Domino's Pizza Enterprises Limited | 116               | -                 |
| Magellan Financial Group Limited   | 114               | -                 |
| Dulux Group Limited                | 114               | -                 |
| Carsales.com Limited               | 113               | 129               |
| Recall Holdings Limited            | 112               | 87                |
| Downer EDI Limited                 | 108               | 113               |
| Flight Centre Limited              | 100               | 129               |
| Adelaide Brighton Limited          | 100               | 88                |
| Rea Group Limited                  | 98                | 116               |
| JB Hi-Fi Limited                   | 98                | -                 |
| CSR Limited                        | 97                | -                 |
| Sims Metal Management Limited      | 90                | 94                |
| Bluescope Steel Limited            | 88                | 168               |
| Graincorp Limited                  | 81                | 89                |
| OZ Minerals Limited                | 74                | 76                |

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**FOR THE YEAR ENDED 30 JUNE 2015**

**7. Financial Assets (cont.)**

**(b) Equity Investments at 30 June 2015 (cont.)**

| <b>Investment</b>   | <b>Fair value<br/>2015<br/>\$'000</b> | <b>Fair value<br/>2014<br/>\$'000</b> |
|---|---------------------------------------|---------------------------------------|
| Navitas Limited   | 68                                    | 125                                   |
| PanAust Limited   | 54                                    | 65                                    |
| Metcash Limited   | 53                                    | -                                     |
| Myer Holdings Limited   | 38                                    | 72                                    |
| ALS Limited   | -                                     | 199                                   |
| Dexus Property Group  | -                                     | 355                                   |
| Challenger Limited  | -                                     | 225                                   |
| Federation Centres  | -                                     | 202                                   |
| TOLL Holdings Limited   | -                                     | 196                                   |
| Spark Infrastructure Group  | -                                     | 141                                   |
| Primary Health Care Limited   | -                                     | 131                                   |
| Beach Energy Limited  | -                                     | 122                                   |
| David Jones Limited   | -                                     | 122                                   |
| Mineral Resources Limited   | -                                     | 87                                    |
| Regis Resources Limited   | -                                     | 40                                    |
| <b>Total investments at fair value through other comprehensive income</b> | <b>58,917</b>                         | <b>63,404</b>                         |

**8. Trade and Other Payables**

|                          | <b>2015<br/>\$'000</b> | <b>2014<br/>\$'000</b> |
|--------------------------|------------------------|------------------------|
| <b>Current</b>           |                        |                        |
| Accrued liabilities      | 14                     | 18                     |
| Unsettled trade payables | -                      | 53                     |
| Other payables           | 9                      | 11                     |
|                          | <b>23</b>              | <b>82</b>              |

**9. Deferred Tax Liabilities/ (Assets)**

**Non-Current**

Deferred tax liabilities/(assets) comprise:

|                            |              |              |
|----------------------------|--------------|--------------|
| Transaction costs          | (14)         | (66)         |
| Fair value adjustments     | 3,272        | 3,585        |
| Revenue and capital losses | (546)        | (895)        |
|                            | <b>2,712</b> | <b>2,624</b> |

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**9. Deferred Tax Liabilities/ (Assets) (cont.)**

|                               | <b>2015</b>   | <b>2014</b>   |
|-------------------------------|---------------|---------------|
|                               | <b>\$'000</b> | <b>\$'000</b> |
| <b>Movements</b>              |               |               |
| Balance at 1 July             | 2,624         | 299           |
| Charged to the profit or loss | (34)          | 39            |
| Debited to equity             | 122           | 2,286         |
|                               | <b>2,712</b>  | <b>2,624</b>  |

**10. Issued Capital**

**(a) Issued capital**

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| Balance at beginning of year         | 52,721        | 55,201        |
| Shares issued                        | 825           | 630           |
| Shares bought back                   | (4,908)       | (3,101)       |
| Issue and buyback costs (net of tax) | (14)          | (9)           |
|                                      | <b>48,624</b> | <b>52,721</b> |

**(b) Movement in fully paid ordinary shares**

|                  |                              | <b>No.</b>        | <b>No.</b>        |
|------------------|------------------------------|-------------------|-------------------|
| <b>Date</b>      | <b>Details</b>               |                   |                   |
| 1 July           | Opening balance              | 33,485,211        | 34,759,866        |
| 21 November 2013 | Ordinary shares issues (i)   | -                 | 178,302           |
| 25 March 2014    | Ordinary shares issues (ii)  | -                 | 177,752           |
| 2 October 2014   | Ordinary shares issues (iii) | 165,639           | -                 |
| 15 December 2014 | Ordinary shares issues (iv)  | 137,820           | -                 |
| 2 April 2015     | Ordinary shares issues (v)   | 149,348           | -                 |
|                  | Ordinary shares bought back  | (2,530,847)       | (1,630,709)       |
|                  |                              | <b>31,407,171</b> | <b>33,485,211</b> |
| 30 June          | Closing balance              |                   |                   |

(i) In respect of the dividend paid on 21 November 2013, 178,302 ordinary shares were issued at \$1.78 per share.

(ii) In respect of the dividend paid on 25 March 2014, 177,752 ordinary shares were issued at \$1.76 per share.

(iii) In respect of the dividend paid on 2 October 2014, 165,639 ordinary shares were issued at \$1.80 per share.

(iv) In respect of the special dividend paid on 15 December 2014, 137,820 ordinary shares were issued at \$1.75 per share.

(v) In respect of the dividend paid on 2 April 2015, 149,348 ordinary shares were issued at \$1.91 per share.



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**FOR THE YEAR ENDED 30 JUNE 2015**

**10. Issued Capital (cont.)**

Holders of ordinary shares participate in dividends and the proceeds on the winding up of the Company in proportion to the number of shares held.

At shareholder meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

**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 and it may undertake a buyback of its shares in the event that they trade at a sizable discount to Net Tangible Asset backing.

The Company's capital consists of shareholders' equity. The movement in equity is shown in the Statement of Changes in Equity. There are no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

Continuing with its pre-existing buy-back program, the Company was granted shareholder approval at a General Meeting held on 8 September 2014 to purchase up to 25% of the shares on issue. During FY15, 2,530,847 shares were bought back at a total cost (excluding securities trade fees) of approximately \$4.9 million. This represents 7.6% of the share capital on issue at the end of the previous financial year.

**11. Reserves**

**Nature and Purpose of Reserves**

*Asset Revaluation Reserve*

Changes in fair value of financial assets at fair value through other comprehensive income, after provision of deferred tax, are recorded in this reserve.

*Capital Profits Reserve*

The capital profits reserve records realised gains and losses, after provision of deferred tax, from sale of investments which are transferred from asset revaluation reserve.

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**FOR THE YEAR ENDED 30 JUNE 2015**

**11. Reserves (cont.)**

|                                      | <b>2015</b>   | <b>2014</b>   |
|--------------------------------------|---------------|---------------|
|                                      | <b>\$'000</b> | <b>\$'000</b> |
| <b>Asset Revaluation Reserve</b>     |               |               |
| Balance at the beginning of the year | 8,365         | 3,200         |
| Gain on investment revaluations      | 197           | 7,634         |
| Tax on the above                     | (59)          | (2,290)       |
| Transfer to Capital Profits Reserve  | (1,245)       | (256)         |
| Tax on the above                     | 374           | 77            |
|                                      | <b>7,632</b>  | <b>8,365</b>  |

**Nature and Purpose of Reserves**

**Capital Profits Reserve**

|   |              |                |
|---|--------------|----------------|
| Balance at the beginning of the year    | (1,165)      | (1,344)        |
| Transfer from Asset Revaluation Reserve | 1,245        | 256            |
| Tax on the above                        | (374)        | (77)           |
|   | <b>(294)</b> | <b>(1,165)</b> |

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**12. Dividends Paid**

|  | <b>2015</b>    | <b>2014</b>   |
|--|----------------|---------------|
|  | <b>\$'000</b>  | <b>\$'000</b> |
| <b>Dividends paid</b>  |                |               |
| Fully franked dividend of 3.0 cents per share paid on 21 November 2013 | -              | 1,041         |
| Fully franked dividend of 3.0 cents per share paid on 25 March 2014    | -              | 1,025         |
| Fully franked dividend of 3.0 cents per share paid on 2 October 2014   | 991            | -             |
| Fully franked dividend of 2.5 cents per share paid on 15 December 2014 | 823            | -             |
| Fully franked dividend of 3.0 cents per share paid on 2 April 2015     | 951            | -             |
|  | <b>2,765</b>   | <b>2,066</b>  |
| <b>Total dividends per share for the year</b>                          | <b>\$0.085</b> | <b>\$0.06</b> |

The tax rate at which paid dividends have been franked is 30% (2014: 30%)

**Franking credit balance**

The amount of franking credits available for the subsequent financial year are:

|  |              |              |
|--|--------------|--------------|
| Franking account balance at the end of the financial year at 30% (2014: 30%)       | 1,018        | 1,103        |
| Franking credits attached to dividend receivables at the end of the financial year | 178          | 193          |
|  | <b>1,196</b> | <b>1,296</b> |

The above amounts represent the balance of the franking account at the end of the reporting period, adjusted for:

- a. franking credits that will arise from the payment of the amount of provision for income tax;
- b. franking debits that will arise from the payment of dividends recognised as a liability at the end of the reporting period; and
- c. franking credits that will arise from the receipt of dividends recognised as receivables at the end of the reporting period.

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**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

**13. Cash Flow Information**

**(a) Reconciliation of cash flows from operating activities**

|  | <b>2015</b>   | <b>2014</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Profit after tax                                     | 2,618         | 2,572         |
| Add / (less):  |               |               |
| Changes in assets and liabilities:                   |               |               |
| Decrease / (Increase) in other receivables           | 27            | (11)          |
| Decrease in tax assets                               | 34            | 39            |
| Decrease / (Increase) in trade payables and accruals | (7)           | (23)          |
| <b>Net cash flows from operating activities</b>      | <b>2,672</b>  | <b>2,577</b>  |

The Company does not have any formal loan facilities in place at the date of these financial statements (2014: Nil).

**(b) Reconciliation of cash**

For the purpose of the Statement of Cash Flows, cash includes:

- (i) cash at bank and on hand, short-term deposits
- (ii) investments in money market instruments with 30 days or less maturity.

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

| <b>Current</b>           |            |            |
|--------------------------|------------|------------|
| Cash at bank and on hand | 661        | 228        |
|                          | <b>661</b> | <b>228</b> |

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**NOTES TO THE FINANCIAL STATEMENTS**

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**14. Related-Party Transactions**

The names of the persons who were directors of the Company at any time during the year and to the date of these financial statements are:

Mr Jeffrey Robert Whalan – Independent Non-Executive Chairman

Mr Maximilian Sean Walsh – Non-Executive Director

Mr David Charles Hawes – Independent Non-Executive Director (resigned 30 April 2015)

Ms Josephine Tan – Independent Non-Executive Director (appointed 25 February 2015)

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated and are as follows:

**(a) Key Management Personnel Related Entity Transaction**

At reporting date, the interests in the Company held by key management personnel and their related entities directly, indirectly or beneficially are as follows:

|                                      | <b>Ordinary shares</b> |                 |
|--------------------------------------|------------------------|-----------------|
|                                      | <b>Direct</b>          | <b>Indirect</b> |
| Jeffrey Whalan                       | -                      | 76,971          |
| Maximilian Walsh                     | 1                      | 50,000          |
| David Hawes (resigned 30 April 2015) | -                      | 135,000         |
| Josephine Tan                        | -                      | -               |

None of the directors hold options over the ordinary shares of the Company (2014: Nil).

**(b) Management Fee**

Mr Maximilian Walsh is a Director of the Company and a Director of the Manager.

The Manager is entitled to receive an annualised management fee of 0.49% (exclusive of GST), calculated with reference to the gross value of the Portfolio less fees payable to directors of the Company for the performance of their duties as directors and fees payable to the Auditor in connection with the audit of the annual financial statements and the review of the half-yearly financial statements of the Company.

The management fee paid or payable for the year ended 30 June 2015 was \$220,000, inclusive of GST (2014: \$233,000). The management fee owed by the Company to Walsh & Company Asset Management Pty Limited at 30 June 2015 was \$17,000 (2014: \$19,000).

The directors of the Company are satisfied that the management fee is in line with market rates.

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**14. Related-Party Transactions (cont.)**

**(c) Brokerage**

As investment broker, Dixon Advisory & Superannuation Services Limited receives brokerage of 0.25% (excl. GST) on all transactions undertaken by Australian Governance Masters Index Fund Limited in managing the investment portfolio of the Company. During the year, the brokerage paid was \$29,000 (2014: \$16,000), inclusive of GST. The directors of the Company are satisfied that the brokerage rate is in line with market rates.

**15. Key Management Personnel**

Names and positions held by key management personnel in office at any time during the financial year are:

- Mr Jeffrey Robert Whalan – Independent Non-Executive Chairman
- Mr Maximilian Sean Walsh – Non-Executive Director
- Mr David Charles Hawes – Independent Non-Executive Director (resigned 30 April 2015)
- Ms Josephine Tan – Independent Non-Executive Director (appointed 25 February 2015)

**Key Management Personnel Remuneration**

|   | 2015           | 2014           |
|---|----------------|----------------|
|   | \$             | \$             |
| Short-term employee benefits              | 69,486         | 60,767         |
| Post employment benefits - Superannuation | 39,338         | 39,233         |
| <b>Total</b>                              | <b>108,824</b> | <b>100,000</b> |

**Number of Shares Held by Key Management Personnel**

|                  | Balance at<br>1 July 2014 | Received as<br>remuneration | Net change<br>other | Balance at<br>30 June 2015 |
|------------------|---------------------------|-----------------------------|---------------------|----------------------------|
| <b>Directors</b> | <b>No.</b>                | <b>No.</b>                  | <b>No.</b>          | <b>No.</b>                 |
| Jeffrey Whalan   | 76,971                    | -                           | -                   | 76,971                     |
| Maximilian Walsh | 50,001                    | -                           | -                   | 50,001                     |
| David Hawes*     | 135,000                   | -                           | (135,000)           | -                          |
| Josephine Tan    | -                         | -                           | -                   | -                          |
| <b>Total</b>     | <b>261,972</b>            | <b>-</b>                    | <b>(135,000)</b>    | <b>126,972</b>             |

\* David Hawes resigned as a director on 30 April 2015. At 30 June 2015, David Hawes is no longer a member of the Company's Key management personnel. As at the date of this report, David Hawes continues to beneficially hold 135,000 shares in the Company.

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**15. Key Management Personnel (cont.)**

|                  | Balance at<br>1 July 2013 | Received as<br>remuneration | Net change<br>other | Balance at<br>30 June 2014 |
|------------------|---------------------------|-----------------------------|---------------------|----------------------------|
| <b>Directors</b> | <b>No.</b>                | <b>No.</b>                  | <b>No.</b>          | <b>No.</b>                 |
| Jeffrey Whalan   | 50,231                    | -                           | 26,740              | 76,971                     |
| Maximilian Walsh | 50,001                    | -                           | -                   | 50,001                     |
| David Hawes      | 135,000                   | -                           | -                   | 135,000                    |
| <b>Total</b>     | <b>235,232</b>            | <b>-</b>                    | <b>26,740</b>       | <b>261,972</b>             |

None of the key management personnel hold options over the ordinary shares of the Company (2014: Nil).

**16. Financial Risk Management**

**(a) Financial Risk Management Policies**

The Company's financial instruments consist mainly of deposits with banks and long term investments. The main risks the Company is exposed to through its financial instruments are liquidity risk, credit risk and market risk.

(i) Liquidity risk

Liquidity risk arises from the financial liabilities of the Company and the Company's subsequent ability to meet its obligations to repay their financial liabilities when they fall due.

The Company's exposure to liquidity risk is minimal. The Company has no borrowings as at 30 June 2015 (2014: Nil) and cash inflows from dividends are received to meet the operating expense obligations of the Company. Listed securities can be readily traded on the Australian Securities Exchange, in the case the Company needs to convert investments into cash.

(ii) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the end of the reporting period to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

The Company does not have any material credit risk exposure to a single receivable or group of debtors under financial instruments entered into by the Company.

There are no amounts of collateral held as security at 30 June 2015 (2014: Nil).

(iii) Market price risk

Market price risk is the risk that changes in market prices such as interest rates and equity prices will affect the Company's income and the value of its holdings of financial instruments.

Inherently, the Company is not free of market price risk because it invests its capital in securities whose market prices can fluctuate.

Market risk is moderated by ensuring that the Company's investment portfolio is not over exposed to one company or a particular sector. The relative weightings of the individual securities are reviewed by the Board frequently.

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**16. Financial Risk Management (cont.)**

**(b) Financial Instruments**

(i) Financial instrument composition

The tables below reflect the undiscounted carrying amount of financial instruments.

|                           | <b>2015</b>   | <b>Weighted Average</b>   |
|---------------------------|---------------|---------------------------|
|                           | <b>\$'000</b> | <b>Effective Interest</b> |
|                           |               | <b>Rate</b>               |
| Cash and cash equivalents | 661           | 1.88%                     |
| Other receivables         | 551           | -                         |
| Financial assets          | 58,917        | -                         |
|                           | <b>60,129</b> |                           |
|                           | <b>2014</b>   | <b>Weighted Average</b>   |
|                           | <b>\$'000</b> | <b>Effective Interest</b> |
|                           |               | <b>Rate</b>               |
| Cash and cash equivalents | 228           | 2.37%                     |
| Other receivables         | 571           | -                         |
| Financial assets          | 63,404        | -                         |
|                           | <b>64,203</b> |                           |



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**16. Financial Risk Management (cont.)**

(ii) Net fair values

The net fair values of:

- other assets and other liabilities approximate their carrying value;
- listed securities included in "Equity Investments" are readily traded on the Australian Securities Exchange in a standardised form. The net fair value of listed securities is determined by valuing them at the last quoted sale price as at the end of the reporting period. The net fair value of investments is set out in note 7.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities at the end of the reporting period are disclosed in the statement of financial position and in the notes to the financial statements.

AASB 13 'Fair Value Measurement' requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- (b) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- (c) Level 3: inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

| <b>30 June 2015</b>  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
|--|----------------|----------------|----------------|---------------|
| <b>Financial assets at fair value through other comprehensive income</b> | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b> |
| Equity investments   | 58,917         | -              | -              | 58,917        |

| <b>30 June 2014</b>  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
|--|----------------|----------------|----------------|---------------|
| <b>Financial assets at fair value through other comprehensive income</b> | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b> |
| Equity investments   | 63,404         | -              | -              | 63,404        |

There were no transfers between levels during the financial year.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

**16. Financial Risk Management (cont.)**

(iii) Sensitivity analysis

Market price risk

The Company has performed sensitivity analysis relating to its exposure to its market price risk at the end of the reporting period. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a reasonably possible change in risk variable on these financial assets.

At 30 June, the effect on profit and equity as a result of changes in market price, with all other variables remaining constant, would be as follows:

|                                    | 2015<br>\$'000 | 2014<br>\$'000 |
|------------------------------------|----------------|----------------|
| <b>Change in profit before tax</b> |                |                |
| Increase in market price by 5%     |                |                |
| - Financial asset                  | -              | -              |
| Increase in market price by 10%    |                |                |
| - Financial asset                  | -              | -              |
| Decrease in market price by 5%     |                |                |
| - Financial asset                  | -              | -              |
| Decrease in market price by 10%    |                |                |
| - Financial asset                  | -              | -              |
| <b>Change in equity</b>            |                |                |
| Increase in market price by 5%     |                |                |
| - Financial asset                  | 2,946          | 3,170          |
| Increase in market price by 10%    |                |                |
| - Financial asset                  | 5,892          | 6,340          |
| Decrease in market price by 5%     |                |                |
| - Financial asset                  | (2,946)        | (3,170)        |
| Decrease in market price by 10%    |                |                |
| - Financial asset                  | (5,892)        | (6,340)        |

**17. Auditor's Remuneration**

The auditor of the Company is William Buck. Under the Management Agreement, the Manager, Walsh & Company Asset Management Pty Limited (previously Dixon Advisory & Superannuation Services Limited), is liable for all audit and accounting costs of the Company, hence there is no accrued liability for these expenses in the Company's financial statements.

The fee in connection with the audit and review of the financial statements of the Company received or receivable by William Buck for the year ended 30 June 2015 is \$35,000 (2014: \$34,500). Payments made, or are payable, to William Buck (NSW) Pty Ltd for tax and other services for the year ended 30 June 2015 amounted to \$11,400 (2014: \$10,900).

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

**18. Contingent Liabilities**

The directors are not aware of any potential liabilities or claims against the Company as at the date of these financial statements (2014: nil).

**19. Matters Subsequent to the Reporting Period**

Since 30 June 2015, the Company bought back a further 49,051 fully paid ordinary shares for a total consideration of \$95,663. The Company's buyback program will continue until close of trade on 8 September 2015.

On 19 August 2015, the Company announced a fully franked dividend of \$0.03 per share which is anticipated to be paid to shareholders on, or around, 24 September 2015. The record date for determining entitlement to the dividend is 26 August 2015.

Other than those disclosed in the financial report, there were no other matters or circumstances that have arisen since the end of the financial period that will significantly affect the entity's operations, the results of those operations or the state of affairs in future financial years.

**20. Company Details**

The registered office of the Company is:

Australian Governance Masters Index Fund Limited  
Level 15, 100 Pacific Highway  
North Sydney NSW 2060

The principal place of business is:

Australian Governance Masters Index Fund Limited  
Level 15, 100 Pacific Highway  
North Sydney NSW 2060

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**DIRECTORS' DECLARATION**  
**FOR THE YEAR ENDED 30 JUNE 2015**

The directors of the Company declare that:

1. The financial statements set out on pages 20 to 50 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 14 to 17, are in accordance with the *Corporations Act 2001*, including:
  - a. giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance, as represented by the results of the operations and the cash flows, for the financial year ended on that date;
  - b. in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and
  - c. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. The directors of the Manager, Walsh & Company Asset Management Pty Limited have declared that:
  - a. the financial records of the Company for the financial year have been properly maintained in accordance with Section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Australian Accounting Standards; and
  - c. the Financial statements and notes for the financial year give a true and fair view.
3. At the date of this declaration, in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to Section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors



**Mr Jeffrey Robert Whalan**  
**Chairman**

19 August 2015

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**

### **Report on the Financial Report**

We have audited the accompanying financial report of Australian Governance Masters Index Fund Limited (the Company) on pages 20 to 51, which comprises the statement of financial position as at 30 June 2015, the statement of profit of loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### *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 gives a true and fair view and 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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.

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

#### **CHARTERED ACCOUNTANTS & ADVISORS**

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Level 29, 66 Goulburn Street  
Sydney NSW 2000  
Telephone: +61 2 8263 4000

**Parramatta Office**  
Level 7, 3 Horwood Place  
Parramatta NSW 2150  
PO Box 19  
Parramatta NSW 2124  
Telephone: +61 2 8836 1500  
**williambuck.com**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIAN GOVERNANCE MASTERS FUND INDEX LIMITED (CONT)

### *Auditor's Opinion*

In our opinion:

- a) the financial report of Australian Governance Masters Index Fund Limited on pages 20 to 51 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 2015 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 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 pages 14 to 17 of the directors' report for the year ended 30 June 2015. 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 Australian Governance Masters Index Fund Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

### *Matters Relating to the Electronic Presentation of the Audited Financial Report*

This auditor's report relates to the financial report of Australian Governance Masters Index Fund Limited for the year ended 30 June 2015 included on Australian Governance Masters Index Fund Limited's web site. The company's directors are responsible for the integrity of the Australian Governance Masters Index Fund Limited's web site. We have not been engaged to report on the integrity of the Australian Governance Masters Index Fund Limited's web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.



**William Buck**  
Chartered Accountants  
ABN 16 021 300 521



**M.A. Nevill**  
Partner  
Dated this 19<sup>th</sup> day of August, 2015

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**ADDITIONAL SECURITIES EXCHANGE DISCLOSURES**

**Statement of quoted securities at 31 July 2015**

- There are 1,583 shareholders holding a total 31,383,448 ordinary fully paid shares.
- The 20 largest shareholders between them hold 8.614% of the total shares on issue.
- Voting rights are each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting, or by proxy, has one vote on a show of hands.
- The Company has a current on-market buyback program in place.

**Distribution of quoted shares as at 31 July 2015**

| <b>Distribution of Shareholders Category (size of holding)</b> | <b>Number of Shareholders</b> |
|--|-------------------------------|
| 1 – 1,000  | 12                            |
| 1,001 – 5,000  | 122                           |
| 5,001 – 10,000   | 388                           |
| 10,001 – 100,000   | 1,044                         |
| 100,001 and over   | 17                            |
| <b>Total Holders</b>   | <b>1,583</b>                  |

**Substantial shareholdings at 31 July 2015**

There are no substantial shareholders pursuant to the provisions of Section 671B of the *Corporations Act 2001*.

**Directors' shareholdings**

At 30 June 2015 directors of the Company held a relevant interest in the following securities on issue by the Company.

| <b>Director</b>  | <b>Ordinary shares</b> |
|------------------|------------------------|
| Jeffrey Whalan   | 76,791 ordinary shares |
| Maximilian Walsh | 50,001 ordinary shares |
| Josephine Tan    | 0 ordinary shares      |

**Restricted Securities**

There are no restricted securities on issue by the Company.

**Transactions**

The total number of transactions in securities during the reporting period was 148.

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**ADDITIONAL SECURITIES EXCHANGE DISCLOSURES**

**Top 20 holders of ordinary shares at 31 July 2015**

| <b>Shareholder Name</b>                                | <b>Number of Shares Held</b> | <b>% of Total</b> |
|--|------------------------------|-------------------|
| RG & MJ WILSON S/F A/C                                 | 324,000                      | 1.032             |
| VONWILLER SUPER FUND A/C                               | 196,377                      | 0.626             |
| CHAN FAMILY SUPER FUND A/C                             | 183,600                      | 0.585             |
| SARBRO SUPER FUND A/C                                  | 173,000                      | 0.551             |
| G & A MORRISON S/F A/C                                 | 140,000                      | 0.446             |
| HAWES FAMILY SUPER FUND A/C                            | 135,000                      | 0.430             |
| A S & J M CARTER S/F A/C                               | 125,850                      | 0.401             |
| THE GALLERY SUPER FUND A/C                             | 125,654                      | 0.400             |
| R & D KEEN SUPER FUND A/C                              | 120,082                      | 0.383             |
| R & S TAYLOR SUPER FUND A/C                            | 118,750                      | 0.378             |
| THE ALNJEN JONES S/F A/C                               | 116,262                      | 0.370             |
| JP & LM CALLUAUD S/F A/C                               | 111,000                      | 0.354             |
| G & R SEABURY S/FUND A/C                               | 110,320                      | 0.352             |
| THE P AND E HUGHES S/F A/C                             | 108,655                      | 0.346             |
| THE D & J MAHER S/FUND A/C                             | 108,118                      | 0.345             |
| WILLIAM JOHN EARLE S/F A/C                             | 106,250                      | 0.339             |
| BREWER SUPER FUND A/C                                  | 105,035                      | 0.335             |
| GOOBBAN FAMILY S/FUND A/C                              | 98,724                       | 0.315             |
| JOHN G KING S/F A/C                                    | 98,700                       | 0.314             |
| S TRANTER & P JACKSON SF A/C                           | 97,917                       | 0.312             |
| <b>Total Held by Top 20 Holders of Ordinary Shares</b> | <b>2,703,294</b>             | <b>8.614</b>      |



**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**ADDITIONAL SECURITIES EXCHANGE DISCLOSURES**

By way of further disclosure, the Company provides the following additional information:

**Management Agreement**

The Company's investment activities are managed on an exclusive basis by the Manager. The management agreement is dated 30 January 2015 (**Management Agreement**).

Subject to any applicable regulations, the Company's investment policies and any written guidelines issued by the Company from time to time, the Manager will manage the portfolio and has discretion to acquire, hold and dispose of investments on behalf of the Company.

The term of the Management Agreement is five years expiring on 2 February 2020 (**Initial Term**). The Management Agreement is automatically extended upon expiry of the Initial Term for a further term of five years, if not terminated earlier, on each subsequent anniversary of the expiry of the Initial Term.

The Manager is entitled to receive an annualised management fee of 0.49% (exclusive of GST) of the value of the portfolio minus allowable expenses which includes fees payable to directors of the Company and fees paid to the auditor. The management fee is payable monthly in arrears and calculated on the first business day of each month. The Manager is not entitled to a performance fee.

The Manager is liable for fees, costs and expenses when properly incurred in connection with the investment and management of the portfolio, the acquisition, disposal or maintenance of any investment or performance of the Manager's obligations under the Management Agreement, including costs of convening and holding the annual general meeting of the Company, any costs and expenses associated with maintaining the Company's share registrar, fees in respect of legal affairs incurred in the ordinary course of business of the Company, fees payable to the ASX to maintain the admission of the Company to the official list and costs incurred in the preparation, printing and despatch of the Company's annual report.

The Manager is entitled to be reimbursed by the Company for fees and expenses when properly incurred in connection with, among others, outgoings in relation to the portfolio such as duties and taxes, administrative and support services, costs associated with calling and holding general meetings of the Company other than the annual general meeting.

The Company may terminate the Management Agreement immediately if the Manager:

- a) becomes insolvent; or
- b) materially breaches its obligations and such breach cannot be rectified; or
- c) breaches its obligations and does not remedy that breach within 30 days after the Company has notified the Manager in writing to remedy the breach; or
- d) persistently fails to ensure that investments made on behalf of the Company are consistent with the Company's investment strategy.

The Company may also terminate the Management Agreement if the licence under which the Manager performs its obligations is suspended for a period of one month or more or is cancelled at any time and the Manager fails to maintain an authorisation enabling it to perform its obligations under the Agreement from a third party holder of a licence.

The Company may also terminate the Management Agreement after the expiration of the Initial Term on delivery of three months' prior written notice.

The Manager may terminate the Management Agreement at any time after expiration of the Initial Term by giving to the Company at least three months' written notice.

A copy of the Management Agreement can be obtained from the Company's website ([www.governancemasters.com.au](http://www.governancemasters.com.au)).

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**INVESTMENTS AT MARKET VALUE**  
**FOR THE YEAR ENDED 30 JUNE 2015**

| ASSET NAME                        | INVESTMENT VALUE<br>\$ | WEIGHT<br>% |
|-----------------------------------|------------------------|-------------|
| COMMONWEALTH BANK OF AUSTRALIA    | 7,159,774              | 12.15%      |
| WESTPAC BANKING CORPORATION       | 5,183,448              | 8.80%       |
| ANZ BANKING GROUP LIMITED         | 4,598,063              | 7.80%       |
| NATIONAL AUSTRALIA BANK LIMITED   | 4,500,714              | 7.64%       |
| BHP BILLITON LIMITED              | 4,485,810              | 7.61%       |
| TELSTRA CORPORATION LIMITED       | 3,878,773              | 6.58%       |
| WESFARMERS LIMITED                | 2,266,706              | 3.85%       |
| CSL LIMITED                       | 2,082,371              | 3.53%       |
| WOOLWORTHS LIMITED                | 1,764,451              | 2.99%       |
| MACQUARIE GROUP LIMITED           | 1,402,522              | 2.38%       |
| WOODSIDE PETROLEUM LIMITED        | 1,253,366              | 2.13%       |
| RIO TINTO LIMITED                 | 1,178,093              | 2.00%       |
| AMP LIMITED                       | 920,055                | 1.56%       |
| TRANSURBAN GROUP                  | 918,226                | 1.56%       |
| SUNCORP GROUP LIMITED             | 892,826                | 1.52%       |
| BRAMBLES LIMITED                  | 856,310                | 1.45%       |
| AMCOR LIMITED                     | 846,208                | 1.44%       |
| ORIGIN ENERGY LIMITED             | 686,264                | 1.16%       |
| INSURANCE AUSTRALIA GROUP LIMITED | 675,197                | 1.15%       |
| SYDNEY AIRPORT                    | 568,841                | 0.97%       |
| AGL ENERGY LIMITED                | 540,907                | 0.92%       |
| STOCKLAND TRUST GROUP             | 497,564                | 0.84%       |
| SOUTH32 LIMITED                   | 491,121                | 0.83%       |
| APA GROUP                         | 474,418                | 0.81%       |
| CALTEX AUSTRALIA LIMITED          | 443,320                | 0.75%       |
| SONIC HEALTHCARE LIMITED          | 443,235                | 0.75%       |
| LEND LEASE GROUP                  | 411,867                | 0.70%       |

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**INVESTMENTS AT MARKET VALUE**  
**FOR THE YEAR ENDED 30 JUNE 2015**

| ASSET NAME                        | INVESTMENT VALUE<br>\$ | WEIGHT<br>% |
|-----------------------------------|------------------------|-------------|
| RAMSAY HEALTH CARE LIMITED        | 409,513                | 0.70%       |
| SANTOS LIMITED                    | 405,539                | 0.69%       |
| ORICA LIMITED                     | 404,895                | 0.69%       |
| ASX LIMITED                       | 399,080                | 0.68%       |
| JAMES HARDIE INDUSTRIES           | 396,836                | 0.67%       |
| GPT GROUP                         | 390,392                | 0.66%       |
| MIRVAC GROUP                      | 349,062                | 0.59%       |
| ASCIANO LIMITED                   | 335,147                | 0.57%       |
| INCITEC PIVOT LIMITED             | 333,314                | 0.57%       |
| COMPUTERSHARE LIMITED             | 308,149                | 0.52%       |
| MEDIBANK PRIVATE LIMITED          | 286,019                | 0.49%       |
| BENDIGO AND ADELAIDE BANK LIMITED | 283,745                | 0.48%       |
| TATTS GROUP LIMITED               | 280,819                | 0.48%       |
| SEEK LIMITED                      | 250,043                | 0.42%       |
| COCA-COLA AMATIL LIMITED          | 249,740                | 0.42%       |
| BANK OF QUEENSLAND                | 242,119                | 0.41%       |
| BORAL LIMITED                     | 236,627                | 0.40%       |
| COCHLEAR LIMITED                  | 236,042                | 0.40%       |
| ARISTOCRAT LEISURE LIMITED        | 233,034                | 0.40%       |
| HENDERSON GROUP PLC.              | 199,894                | 0.34%       |
| TABCORP HOLDINGS LIMITED          | 195,645                | 0.33%       |
| ANSELL LIMITED                    | 192,816                | 0.33%       |
| ECHO ENTERTAINMENT GROUP LIMITED  | 177,278                | 0.30%       |
| ILUKA RESOURCES LIMITED           | 167,286                | 0.28%       |
| DUET GROUP LIMITED                | 162,901                | 0.28%       |
| HEALTHSCOPE LIMITED               | 152,075                | 0.26%       |
| TPG TELECOM LIMITED               | 134,308                | 0.23%       |

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**INVESTMENTS AT MARKET VALUE**  
**FOR THE YEAR ENDED 30 JUNE 2015**

| ASSET NAME                    | INVESTMENT VALUE<br>\$ | WEIGHT<br>%    |
|-------------------------------|------------------------|----------------|
| ORORA LIMITED                 | 131,313                | 0.22%          |
| PERPETUAL TRUSTEES            | 119,449                | 0.20%          |
| WORLEYPARSONS LIMITED         | 118,789                | 0.20%          |
| DOMINO'S PIZZA                | 116,171                | 0.20%          |
| MAGELLAN FINANCIAL            | 113,918                | 0.19%          |
| DULUX GROUP LIMITED           | 113,531                | 0.19%          |
| CARSALES.COM LIMITED          | 113,170                | 0.19%          |
| RECALL HOLDINGS LIMITED       | 112,037                | 0.19%          |
| DOWNER EDI LIMITED            | 108,219                | 0.18%          |
| FLIGHT CENTRE LIMITED         | 100,215                | 0.17%          |
| ADELAIDE BRIGHTON LIMITED     | 99,755                 | 0.17%          |
| REA GROUP LTD                 | 97,986                 | 0.17%          |
| JB HI-FI LIMITED              | 97,829                 | 0.17%          |
| CSR LIMITED                   | 97,068                 | 0.16%          |
| SIMS METAL MANAGEMENT LIMITED | 90,196                 | 0.15%          |
| BLUESCOPE STEEL LIMITED       | 87,666                 | 0.15%          |
| GRAINCORP LIMITED             | 80,635                 | 0.14%          |
| OZ MINERALS LIMITED           | 74,135                 | 0.13%          |
| NAVITAS LIMITED               | 67,713                 | 0.11%          |
| PANAUST LIMITED               | 53,557                 | 0.09%          |
| METCASH LIMITED               | 53,004                 | 0.09%          |
| MYER HOLDINGS LIMITED         | 37,857                 | 0.06%          |
| <b>TOTAL</b>                  | <b>58,916,977</b>      | <b>100.00%</b> |

**AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED**  
**ABN 48 140 842 397**

**CORPORATE DIRECTORY**

**FOR THE YEAR ENDED 30 JUNE 2015**

The Company's shares are quoted on the official list of the Australian Securities Exchange Limited (**ASX**).

The Company's ASX Code is AQF.

**Directors**

Mr Jeffrey Robert Whalan  
(Non-Executive Chairman)

Mr Maximilian Sean Walsh  
(Non-Executive Director)

Ms Josephine Tan  
(Non-Executive Director)

**Share Register managed by**

Boardroom Pty Limited  
Level 12  
225 George Street  
Sydney NSW 2000

Telephone                      Facsimile  
(02) 9290 9600                (02) 9279 0664  
Website: [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

**Company Secretary**

Ms Hannah Chan

**Auditor**

William Buck  
Level 29  
66 Goulburn Street  
Sydney NSW 2000

Telephone                      Facsimile  
(02) 8263 4000                (02) 8263 4111  
Website: [www.williambuck.com](http://www.williambuck.com)

**Registered Office**

Level 15  
100 Pacific Highway  
North Sydney NSW 2060

Telephone                      Facsimile  
1300 454 801                1300 457 349

**Solicitor**

Watson Mangioni Lawyers Pty Limited  
Level 13  
50 Carrington Street  
Sydney NSW 2000

Telephone                      Facsimile  
(02) 9262 6666                (02) 9262 2626  
Website: [www.wmlaw.com.au](http://www.wmlaw.com.au)

**Principal Office**

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North Sydney NSW 2060

Telephone                      Facsimile  
1300 454 801                1300 457 349  
Website: [www.governancemasters.com.au](http://www.governancemasters.com.au)

**Bankers**

Macquarie Bank  
ANZ Bank