



AUSTRALIAN GOVERNANCE MASTERS
INDEX FUND LIMITED ABN 48 140 842 397

2015 ANNUAL REPORT

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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).

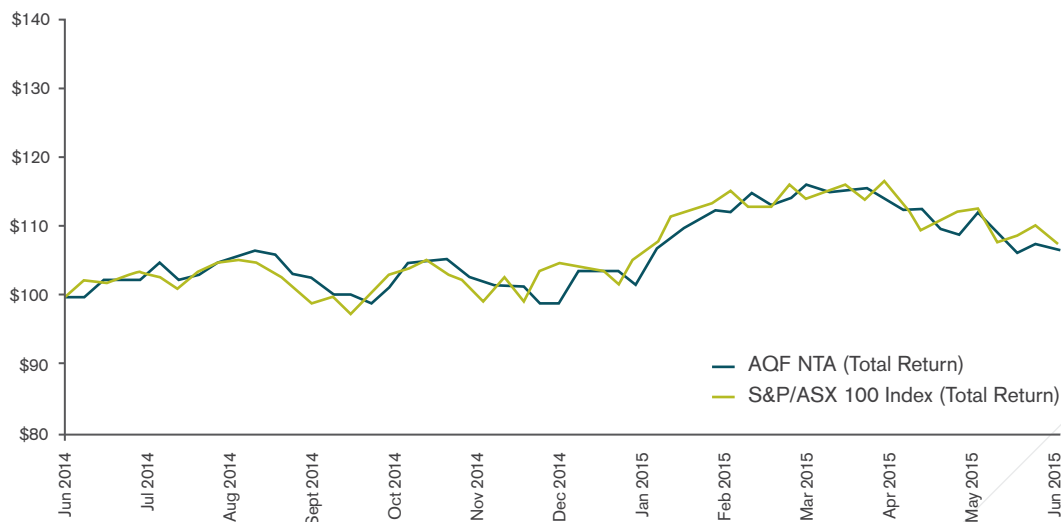
POSITIVE SHAREHOLDER RETURNS

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 100 Index (**Index**) is shown below (assuming reinvestment of dividends and prices rebased to \$100 at the beginning of FY15):



CHAIRMAN'S LETTER

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.

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 AGM 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

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.

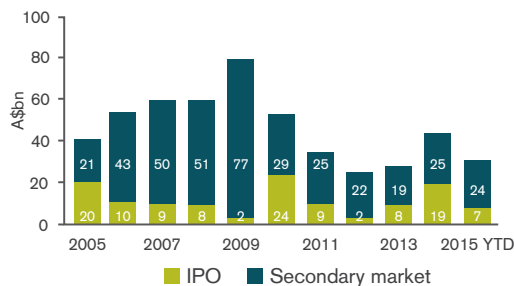
Consumer Staples had a tough year as the Australian food retail sector enters a period of uncertainty. Key players in the space continue to face increased competition in the supermarket segment from overseas entrants, while other business divisions are competing with online sales for market share.

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.

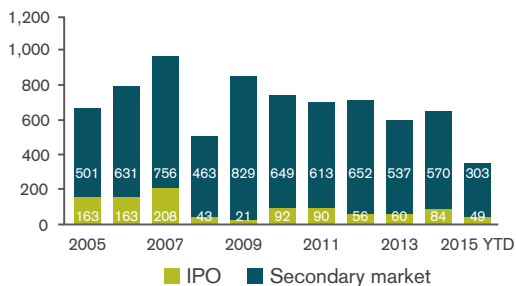
Companies took advantage of the strong performing equity markets, as investors were more receptive in FY15 to IPOs after three lean years of IPO activity. While successful Health Care and Financial sector IPOs during FY15 may encourage companies to IPO in FY16, investors will remain wary given the heightened 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.

MANAGER'S REPORT

Equity Raising (by value)



Equity Raising (by number)



Source: Thompson Reuters

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
ANZ BANKING GROUP LTD	4,598,063	7.72
NATIONAL AUSTRALIA BANK LTD	4,500,714	7.55
BHP BILLITON LTD	4,485,810	7.53
TELSTRA CORPORATION 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 LTD	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

MANAGER'S REPORT

Company	Market value (\$)	Weight (%)
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
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 LTD	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	199,894	0.34
TABCORP HOLDINGS LTD	195,645	0.33



Company	Market value (\$)	Weight (%)
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
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

MANAGER'S REPORT

Company	Market value (\$)	Weight (%)
PANAUST LTD	53,557	0.09
METCASH LTD	53,004	0.09
MYER HOLDINGS LTD	37,857	0.06
SUBTOTAL	58,916,977	98.87
CASH	675,433	1.13
TOTAL	59,592,410	100.00

*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.

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.

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.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

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 was one female and two male directors.

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



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.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

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.

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. 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.

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2015

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.

These include:

- weekly and monthly net tangible asset backing announcements
- quarterly investment updates
- the half-year report
- the annual report
- the notice of AGM, 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 AGM 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.

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.

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.



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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2015

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.

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).



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).



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

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2015

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.

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.

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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2015

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.

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

2015			
Directors	Short-term benefits – Cash salary	Post employment benefits – Superannuation	Total
	\$	\$	\$
Jeffrey Whalan	45,662	4,338	50,000
Maximilian Walsh	-	-	-
David Hawes	6,667	35,000	41,667
Josephine Tan	17,158	-	17,158
Total	69,487	39,338	108,825

2014			
Directors	Short-term benefits – Cash salary	Post employment benefits – Superannuation	Total
	\$	\$	\$
Jeffrey Whalan	45,767	4,233	50,000
Maximilian Walsh	-	-	-
David Hawes	15,000	35,000	50,000
Total	60,767	39,233	100,000

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 who 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:

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

*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.

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

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

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2015

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.

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:

	Meetings held	Meetings attended
Jeffrey Whalan	7	7
Maximilian Walsh	7	7
David Hawes	6	6
Josephine Tan	2	2



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
	11,400

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 26.

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

FOR THE YEAR ENDED 30 JUNE 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 19th day of August, 2015

CHARTERED ACCOUNTANTS & ADVISORS

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$'000	2014 \$'000
Revenue	2	3,010	2,962
Management fee	14	(205)	(218)
Directors' fees	15	(109)	(100)
Other expenses		(44)	(33)
Profit before income tax		2,652	2,611
Income tax (expense)/benefit	3	(34)	(39)
Profit for the year attributable to owners		2,618	2,572
Other comprehensive income			
<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)
Total other comprehensive income for the year (net of tax)		138	5,344
Total comprehensive income for the year attributable to owners		2,756	7,916
Earnings per share			
Basic earnings per share (cents)	4	8.10	7.47
Diluted earnings per share (cents)	4	8.10	7.47

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

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2015

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

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Issued capital \$'000	Asset Revaluation Reserve \$'000	Capital Profits Reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2013		55,201	3,200	(1,344)	1,086	58,143
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
Total comprehensive income for the year		-	5,344	-	2,572	7,916
Transfer to Capital Profits Reserve of cumulative realised gain on 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)
Balance at 30 June 2014		52,721	8,365	(1,165)	1,592	61,513
Balance at 1 July 2014		52,721	8,365	(1,165)	1,592	61,513
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
Total comprehensive income for the year		-	138	-	2,618	2,756
Transfer to Capital Profits Reserve of cumulative realised gain on 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)
Balance at 30 June 2015		48,624	7,632	(294)	1,445	57,407

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
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
Cash flows from investing activities			
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
Cash flows from financing activities			
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)
Net decrease/(decrease) in cash and cash equivalents		433	(258)
Cash and cash equivalents at beginning of year		228	486
Cash and cash equivalents at end of the year	13 (b)	661	228

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



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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON FINANCIAL REPORT	APPLICATION DATE FOR COMPANY
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



REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON FINANCIAL REPORT	APPLICATION DATE FOR COMPANY
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"> - 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 - IFRS 7 – adds basis of conclusion to clarify disclosure requirements for transferred financial assets and offsetting arrangements - 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 - IAS 34 – clarifies information about cross references in the interim financial report 	Annual periods commencing on or after 1 January 2016	This standard is not expected to impact the company.	1 July 2016
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON FINANCIAL REPORT	APPLICATION DATE FOR COMPANY
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 on 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



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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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.

Subsequent measurement

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

2. REVENUE

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

3. INCOME TAX EXPENSE

	2015 \$'000	2014 \$'000
a) The components of tax expense comprise:		
Deferred tax	34	39
	34	39
b) Prima facie tax expense on profit from ordinary activities before income tax at 30% (2014: 30%)	796	783
Less tax effect of:		
Rebateable franked dividends	(762)	(744)
	34	39

4. EARNINGS PER SHARE

	2015 \$'000	2014 \$'000
a) Earnings used in calculating earnings per share		
Profit used to calculate basic and diluted earnings per share	2,618	2,572
	No.	No.
b) Weighted average number of shares		
Weighted average number of ordinary shares outstanding during the year used to calculate basic earnings per share	32,330,885	34,444,800
Weighted average number of ordinary shares adjusted for the effect of dilution	32,330,885	34,444,800

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

5. CASH AND CASH EQUIVALENTS

	2015 \$'000	2014 \$'000
Current		
Cash at bank and on hand	661	228
	661	228

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

6. RECEIVABLES

	2015 \$'000	2014 \$'000
Current		
Dividends receivable	551	571
GST refundable	8	5
	559	576

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

	2015 \$'000	2014 \$'000
Non-Current		
<i>Equity investments</i>		
Fair value through other comprehensive income	58,917	63,404
	58,917	63,404
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)
	58,917	63,404

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

	Fair value at disposal date	Realised gain on disposals transferred to Capital Profits Reserve
	\$	\$
Equity investments	7,590	872

Investments disposed of during the year ended 30 June 2014

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

7. FINANCIAL ASSETS (CONT.)

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 2015 \$'000	Fair Value 2014 \$'000
COMMONWEALTH BANK OF AUSTRALIA	7,160	7,425
WESTPAC BANKING CORPORATION	5,183	5,993
ANZ BANKING GROUP LTD	4,598	5,215
NATIONAL AUSTRALIA BANK LTD	4,501	4,400
BHP BILLITON LTD	4,486	6,564
TELSTRA CORPORATION LTD	3,879	3,700
WESFARMERS LTD	2,267	2,726
CSL LTD	2,082	1,834
WOOLWORTHS LTD	1,764	2,520
MACQUARIE GROUP LTD	1,403	1,094
WOODSIDE PETROLEUM LTD	1,253	1,458
RIO TINTO LTD	1,178	1,474
AMP LTD	920	890
TRANSURBAN GROUP	918	770
SUNCORP GROUP LTD	893	995
BRAMBLES LTD	856	809
AMCOR LTD	846	714
ORIGIN ENERGY LTD	686	916
INSURANCE AUSTRALIA GROUP LTD	675	777
SYDNEY AIRPORT	569	523

Investment	Fair Value 2015 \$'000	Fair Value 2014 \$'000
AGL ENERGY LTD	541	486
STOCKLAND CORPORATION LTD	498	511
SOUTH32 LTD	491	0
APA GROUP	474	328
CALTEX AUSTRALIA LTD	443	166
SONIC HEALTHCARE LTD	443	389
LEND LEASE GROUP	412	396
RAMSAY HEALTH CARE LTD	410	332
SANTOS LTD	406	785
ORICA LTD	405	408
ASX LTD	399	391
JAMES HARDIE INDUSTRIES PLC	397	350
GPT GROUP	390	341
MIRVAC GROUP	349	371
ASCIANO LTD	335	313
INCITEC PIVOT LTD	333	269
COMPUTERSHARE LTD	308	362
MEDIBANK PRIVATE LTD	286	0
BENDIGO AND ADELAIDE BANK LTD	283	290
TATTS GROUP LTD	280	261
SEEK LTD	250	306
COCA-COLA AMATIL LTD	250	285
BANK OF QUEENSLAND LTD	242	247
BORAL LTD	237	229

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

7. FINANCIAL ASSETS (CONT.)

Investment	Fair Value 2015 \$'000	Fair Value 2014 \$'000
COCHLEAR LTD	236	198
ARISTOCRAT LEISURE LTD	233	157
HENDERSON GROUP	200	169
TABCORP HOLDINGS LTD	196	140
ANSELL LTD	193	175
ECHO ENTERTAINMENT GROUP LTD	177	143
ILUKA RESOURCES LTD	167	194
DUET GROUP	163	0
HEALTHSCOPE LTD	152	0
TPG TELECOM LTD	134	0
ORORA LTD	131	101
PERPETUAL LTD	119	128
WORLEYPARSONS LTD	119	217
DOMINO'S PIZZA ENTERPRISES LTD	116	0
MAGELLAN FINANCIAL GROUP LTD	114	0
DULUX GROUP LTD	114	0
CARSALES.COM LTD	113	129
RECALL HOLDINGS LTD	112	87
DOWNER EDI LTD	108	113
FLIGHT CENTRE LTD	100	129
ADELAIDE BRIGHTON LTD	100	88
REA GROUP LTD	98	116
JB HI-FI LTD	98	0



Investment	Fair Value 2015 \$'000	Fair Value 2014 \$'000
CSR LTD	97	0
SIMS METAL MANAGEMENT LTD	90	94
BLUESCOPE STEEL LTD	88	168
GRAINCORP LTD	81	89
OZ MINERALS LTD	74	76
NAVITAS LTD	68	125
PANAUST LTD	54	65
METCASH LTD	53	0
MYER HOLDINGS LTD	38	72
ALS LTD	0	199
DEXUS PROPERTY GROUP	0	355
CHALLENGER LTD	0	225
FEDERATION CENTRES	0	202
TOLL HOLDINGS LTD	0	196
SPARK INFRASTRUCTURE GROUP	0	141
PRIMARY HEALTH CARE LTD	0	131
BEACH ENERGY LTD	0	122
DAVID JONES LTD	0	122
MINERAL RESOURCES LTD	0	87
REGIS RESOURCES LTD	0	40
Total investments at fair value through other comprehensive income	58,917	63,404

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

8. TRADE AND OTHER PAYABLES

	2015 \$'000	2014 \$'000
Current		
Accrued liabilities	14	18
Unsettled trade payables	-	53
Other payables	9	11
	23	82

9. DEFERRED TAX LIABILITIES/(ASSETS)

	2015 \$'000	2014 \$'000
Non-Current		
Deferred tax liabilities/(assets) comprise:		
Transaction costs	(14)	(66)
Fair value adjustments	3,272	3,585
Revenue and capital losses	(546)	(895)
	2,712	2,624
Movements		
Balance at 1 July	2,624	299
Charged to the profit or loss	(34)	39
Debited to equity	122	2,286
	2,712	2,624

10. ISSUED CAPITAL

	2015 \$'000	2014 \$'000
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)
Balance at end of the year	48,624	52,721

		2015 No.	2014 No.
b) Movement in fully paid ordinary shares			
Date	Details		
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)
30 June	Closing balance	31,407,171	33,485,211

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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.

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 AGM 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.



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.

	2015 \$'000	2014 \$'000
Asset Revaluation Reserve		
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
	7,632	8,365
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)
	(294)	(1,165)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

12. DIVIDENDS PAID

	2015 \$'000	2014 \$'000
Dividends paid		
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	-
	2,765	2,066
Total dividends per share for the year	\$0.085	\$0.06

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
	1,196	1,296

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

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

13. CASH FLOW INFORMATION

A) RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2015 \$'000	2014 \$'000
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)
Net cash flows from operating activities	2,672	2,577

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:

	2015 \$'000	2014 \$'000
Current		
Cash at bank and on hand	661	228
	661	228

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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:

	Ordinary shares	
	Direct	Indirect
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.



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
Total	108,824	100,000

NUMBER OF SHARES HELD BY KEY MANAGEMENT PERSONNEL

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

*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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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

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.

B) FINANCIAL INSTRUMENTS

i) Financial instrument composition

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

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

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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

30 June 2015 Financial assets at fair value through other comprehensive income	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Equity investments	58,917	-	-	58,917
30 June 2014 Financial assets at fair value through other comprehensive income	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Equity investments	63,404	-	-	63,404

There were no transfers between levels during the financial year.

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 \$'000	2014 \$'000
Change in profit before tax		
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	-	-
Change in equity		
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).

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

DIRECTORS' DECLARATION

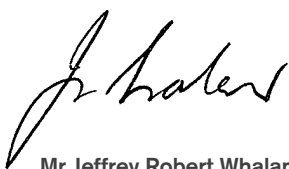
FOR THE YEAR ENDED 30 JUNE 2015

The Directors of the Company declare that:

1. The financial statements set out on pages 27 to 58 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 21 to 24, 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



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 27 to 59, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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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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 27 to 59 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 21 to 24 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.

A handwritten signature in black ink that reads "William Buck".

William Buck
Chartered Accountants
ABN 16 021 300 521

A handwritten signature in black ink that reads "M.A. Nevill".

M.A. Nevill
Partner
Dated this 19th day of August, 2015

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 of 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

Distribution of Shareholders Category (size of holding)	Number of Shareholders
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
Total Holders	1,583
Less than marketable parcel	9

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.

Director	Ordinary shares
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.



TOP 20 HOLDERS OF ORDINARY SHARES AT 31 JULY 2015

Shareholder Name	Number of Shares Held	% of Total
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
GOODBAN 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
Total Held by Top 20 Holders of Ordinary Shares	2,703,294	8.614

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 AGM 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 AGM.

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).

INVESTMENTS AT MARKET VALUE

FOR THE YEAR ENDED 30 JUNE 2015

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



ASSET NAME	INVESTMENT VALUE \$	WEIGHT %
SONIC HEALTHCARE LTD	443,235	0.75%
LEND LEASE GROUP	411,867	0.70%
RAMSAY HEALTH CARE LTD	409,513	0.70%
SANTOS LTD	405,539	0.69%
ORICA LTD	404,895	0.69%
ASX LTD	399,080	0.68%
JAMES HARDIE INDUSTRIES	396,836	0.67%
GPT GROUP	390,392	0.66%
MIRVAC GROUP	349,062	0.59%
ASCIANO LTD	335,147	0.57%
INCITEC PIVOT LTD	333,314	0.57%
COMPUTERSHARE LTD	308,149	0.52%
MEDIBANK PRIVATE LTD	286,019	0.49%
BENDIGO AND ADELAIDE BANK LTD	283,745	0.48%
TATTS GROUP LTD	280,819	0.48%
SEEK LTD	250,043	0.42%
COCA-COLA AMATIL LTD	249,740	0.42%
BANK OF QUEENSLAND	242,119	0.41%
BORAL LTD	236,627	0.40%
COCHLEAR LTD	236,042	0.40%
ARISTOCRAT LEISURE LTD	233,034	0.40%
HENDERSON GROUP	199,894	0.34%
TABCORP HOLDINGS LTD	195,645	0.33%
ANSELL LTD	192,816	0.33%

INVESTMENTS AT MARKET VALUE

FOR THE YEAR ENDED 30 JUNE 2015

ASSET NAME	INVESTMENT VALUE \$	WEIGHT %
ECHO ENTERTAINMENT GROUP LTD	177,278	0.30%
ILUKA RESOURCES LTD	167,286	0.28%
DUET GROUP LTD	162,901	0.28%
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	0.20%
MAGELLAN FINANCIAL GROUP LTD	113,918	0.19%
DULUX GROUP LTD	113,531	0.19%
CARSALES.COM LTD	113,170	0.19%
RECALL HOLDINGS LTD	112,037	0.19%
DOWNER EDI LTD	108,219	0.18%
FLIGHT CENTRE LTD	100,215	0.17%
ADELAIDE BRIGHTON LTD	99,755	0.17%
REA GROUP LTD	97,986	0.17%
JB HI-FI LTD	97,829	0.17%
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	0.13%
NAVITAS LTD	67,713	0.11%



ASSET NAME	INVESTMENT VALUE \$	WEIGHT %
PANAUST LTD	53,557	0.09%
METCASH LTD	53,004	0.09%
MYER HOLDINGS LTD	37,857	0.06%
TOTAL	58,916,977	100.00%

CORPORATE DIRECTORY

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

The Company's ASX Code is AOF.

DIRECTORS

Mr Jeffrey Robert Whalan

(Non-Executive Chairman)

Mr Maximilian Sean Walsh

(Non-Executive Director)

Ms Josephine Tan

(Non-Executive Director)

COMPANY SECRETARY

Ms Hannah Chan

REGISTERED OFFICE

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BANKERS

Macquarie Bank

ANZ Bank



