

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

**APPENDIX 4E – PRELIMINARY FINAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2016**

(The previous corresponding period is the period from 1 July 2014 to 30 June 2015)

**Results for announcement to the market**

At 30 June 2016, the net tangible asset per ordinary share after unrealised gains and adjustment for tax was \$1.72 (2015: \$1.83), a decrease of 6%, and a total shareholder return of 0.2% (including dividends and franking credits).

	Change from previous period (\$)	Change from Previous period (%)	Year ended 30 June 2016 (\$)	Year ended 30 June 2015 (\$)
Revenue from ordinary activities	Down \$311,000	Down 10.3%	\$2,699,000	\$3,010,000
Profit from ordinary activities before tax attributable to shareholders	Down \$277,000	Down 10.4%	\$2,375,000	\$2,652,000
Profit from ordinary activities after tax attributable to shareholders	Down \$272,000	Down 10.4%	\$2,346,000	\$2,618,000
Net profit for the period attributable to shareholders	Down \$272,000	Down 10.4%	\$2,346,000	\$2,618,000
Basic earnings per share	Down 0.46 cents	Down 5.7%	7.64 cents	8.10 cents
Diluted earnings per share	Down 0.46 cents	Down 5.7%	7.64 cents	8.10 cents

***Dividend Information***

During the year, the Company paid a fully franked dividend of 3 cents per share on 24 September 2015, a special fully franked dividend of 2 cents per share on 18 December 2015 and a fully franked dividend of 3 cents per share on 30 March 2016. Total dividends paid during the financial year amounted to \$2,472,000, of which \$732,000 was reinvested as part of the Company's Dividend Reinvestment Plan.

## Results for announcement to the market (continued)

### Commentary on results

#### *Explanation of Revenue*

Revenue from ordinary activities of \$2,699,000 for the year ended 30 June 2016, consists entirely of the Company's investment activities and are made up as follows:

Dividend income	\$2,687,000
Interest income	\$12,000
<b>Revenue from operating activities</b>	<b>\$2,699,000</b>

#### *Significant features of operating performance*

The profit of the Company after providing for income tax amounted to \$2,346,000 (2015: \$2,618,000).

Total comprehensive loss for the financial year was \$808,000 (2015: income \$2,756,000) for the Company.

As a listed investment company, the Company's primary objectives are the long-term growth of its investments, reflected by an appreciation of its net tangible assets, and the provision of an income stream, rather than an increase in its revenue or profits. In FY16, the Company's total shareholder return, including dividends and franking credits, was 0.2%.

At 30 June 2016, the Company is in a strong position with total assets of approximately \$51.9 million with no borrowings.

During the year, a total of 2,593,764 ordinary shares for a total consideration of \$4,553,000 were bought back by the Company from shareholders.

Detailed explanations on the above figures are included in the Company's Annual Financial Report for the year ended 30 June 2016.

#### *Matters Subsequent to the End of the Financial Year*

Since 30 June 2016, the Company bought back a further 516,743 fully paid ordinary shares for a total consideration of \$914,757. The Company's buyback program will continue until close of trade on 22 November 2016.

On 22 August 2016, the Company announced a fully franked dividend of \$0.03 per share which is anticipated to be paid to shareholders on, or around, 22 September 2016. The record date for determining entitlement to the dividend is 29 August 2016.

## **Results for announcement to the market (continued)**

### **Other Information**

Refer to the Company's Annual Financial Report for the year ended 30 June 2016 for a Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Equity and all relevant notes to the financial statements.

This report is based on the Annual Financial Report which has been subject to audit by the Independent Auditor.

All the documents comprise the information required by Listing Rule 4.3A.

### **Attachments forming part of Appendix 4E**

Annual Financial Report, including Directors' Report and Independent Auditor's Report



Hannah Chan  
Company Secretary  
22 August 2016

# **Australian Governance Masters Index Fund Limited**

**ABN 48 140 842 397**

**Annual Report - 30 June 2016**

## **Australian Governance Masters Index Fund Limited**

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**Australian Governance Masters Index Fund Limited**  
**Chairman's letter**  
**30 June 2016**

Welcome to the Annual Report for Australian Governance Masters Index Fund Limited (**Company** or **AQF**) for the financial year ended 30 June 2016 (**FY16**).

During FY16, the Company generated a net loss after tax and unrealised movements of \$0.8 million. This compares to a net profit after tax and unrealised movements of \$2.76 million the prior year (30 June 2015).

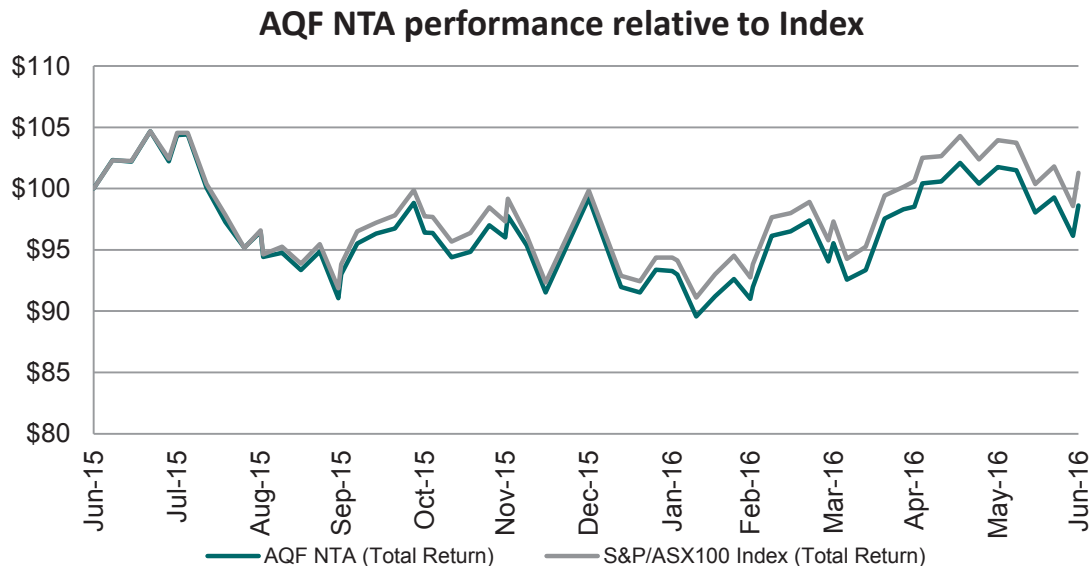
Including reinvestment of dividends and franking credits, the Company posted a loss of 1.4% on a pre-tax net tangible asset (**NTA**) basis and a gain of 0.2% on a post-tax NTA basis for FY16.

As at 30 June 2016, the Company's pre-tax NTA was at \$1.78 per share and the post-tax NTA was at \$1.72 per share. This compares to the pre-tax NTA of \$1.93 per share and post-tax NTA of \$1.83 per share as at 30 June 2015. These NTA values do not include fully franked dividends paid over FY16.

The Company paid a fully franked dividend of 3 cents per share on 24 September 2015, a special fully franked dividend of 2 cents per share on 18 December 2015 and a fully franked dividend of 3 cents per share on 30 March 2016. Total dividends paid for the year were \$2,472,000, of which \$732,000 was reinvested as part of the Company's Dividend Reinvestment Plan.

The basic and diluted earnings per share after tax was 7.64 cents, while the Company produced a dividend yield of 4.0% during FY16.

The performance over FY16 of the Company's weekly NTA per share (reported on a pre-tax basis) against the S&P/ASX 100 Accumulation Index (**Index**) is shown below (assuming reinvestment of dividends including franking credits and prices rebased to \$100 at the beginning of FY16):



Source: Bloomberg, Walsh & Company Asset Management Pty Ltd

**Australian Governance Masters Index Fund Limited**  
**Chairman's letter**  
**30 June 2016**

**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 FY16, the Company participated in 68 shareholder votes, voting on a total of 426 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. At the Company's Annual General Meeting (**AGM**) on 17 November 2015, shareholders approved:

- the on-market buy-back of up to 25% of the issued ordinary Shares during the 12 month period beginning 23 November 2015; and
- the issue of up to 15,636,169 fully paid ordinary Shares.

In FY16, the Company bought back 2,593,764 shares.

Yours sincerely,

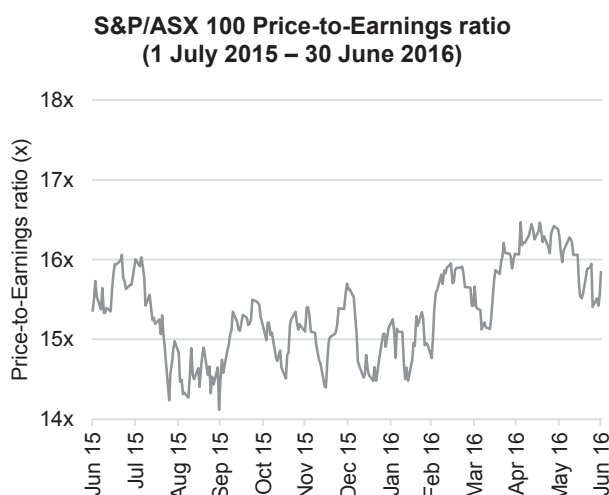
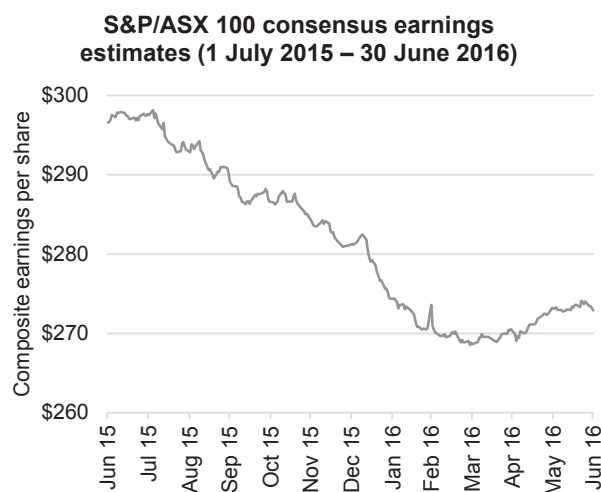


Mr Jeffrey Whalan

Chairman

**MARKET COMMENTARY**

After posting strong returns for the past three fiscal years, the Australian share market finished marginally lower in FY16 with the S&P/ASX 100 Accumulation Index (**Index**), which adjusts for the reinvestment of dividends, down 0.4%. However, the S&P/ASX 100 Index, which does not allow for the reinvestment of dividends declined approximately 5% over FY16. As the charts below show this decline was driven by declining earnings expectations for the largest 100 ASX listed companies, with the P/E ratio ending the financial year broadly where it began at 15.8x. Overall, the outlook for our largest companies became less optimistic, led by tempered earnings forecasts for the major banks and resource companies.



Source: Bloomberg, composite consensus earnings estimates (12 months forward)

Throughout the year, equity market volatility was fanned by a range of concerns including the response of markets and the US economy to the first increase in interest rates by the US Federal Reserve in almost a decade, a dramatic sell-off in high yield bonds as lower oil prices threatened a large swathe of levered energy companies, uncertainty around the potential for the Chinese economy to rebalance away from an investment led growth model and towards a service led model while maintaining current growth levels and towards period end Britain's unexpected decision to leave the European Union. Within the broader Index, Consumer Discretionary (+25.9%), Utilities (+24.5%), Health Care (+21.1%) and Industrials (+19.9%) were the top performing sectors while Energy (-19.9%) was the worst performing sector followed by Information Technology (-7.2%), Materials (-7.0%) and Financials (-4.0%).



**Australian Governance Masters Index Fund Limited**  
**Manager's report**  
**30 June 2016**

In the Financials sector, banks underperformed amid stricter additional capital requirements and lending standards from the Australian Prudential Regulatory Authority (**APRA**). While the 'Big 4' banks generally all recorded solid interim-profit results, there was also an increase in reported bad and doubtful debt charges. For the first time in years, concerns around dividend sustainability have emerged. Australian and New Zealand Banking Group (-19.8%) was the first of the 'Big 4' banks to reduce its payout ratio since the peak of the financial crisis in 2009, cutting its interim dividend to 80 cents from 86 cents in the prior corresponding period. Elsewhere within the broader financials sector, the Real Estate Investment Trusts (**REITs**) posted strong double-digit returns for the year. Over FY16 many REITs expanded share price premiums over underlying net asset values. Compared to the Australian equity market, relatively high distribution yields and the sub-sector's defensive characteristics proved attractive to investors in the current low yield environment.

The Materials sector continued to be under pressure as base metal prices such as copper (-16.0%) and aluminium (-2.5%) fell further. The spot iron ore price slumped over 35% to US\$38.30/mt in December before recovering to US\$55.66/mt at the end of June on the back of planned production cuts by the 'Big 3' miners, BHP Billiton (-27.7%), Rio Tinto (-9.8%) and Brazil's Vale. As widely expected, BHP Billiton and Rio Tinto decided to abandon their progressive dividend policies in February due to tough operating conditions and falling revenues. In contrast, precious metal prices, gold (+12.8%) and silver (+18.9%), surged, buoyed by world economic uncertainty. Unsurprisingly, Newcrest Mining (+76.7%), Australia's largest gold mining company, saw its share price skyrocket. In the Energy space, depressed oil prices affected most companies negatively with Brent crude oil declining by 21.9% to US\$49.68/barrel at the end of FY16.

Perhaps surprisingly given the overall earnings outlook, Consumer Discretionary was the best performing sector in the Index, supported by a historically low official cash rate at 1.75%. The Westpac-Melbourne Institute Consumer Confidence Index jumped 7.2% in FY16, reaching a 2-year high of 103.2 in May. Domino's Pizza Enterprises (+93.3%) and Aristocrat Leisure (+83.5%) nearly doubled their share prices in FY16 after reporting strong earnings growth. Meanwhile, Consumer Staples ended flat for the year as the Australian food retail sector continues to experience elevated competition in the supermarket segment. Woolworths (-18.7%) was the major laggard, partly due to weaker same-store sales growth.

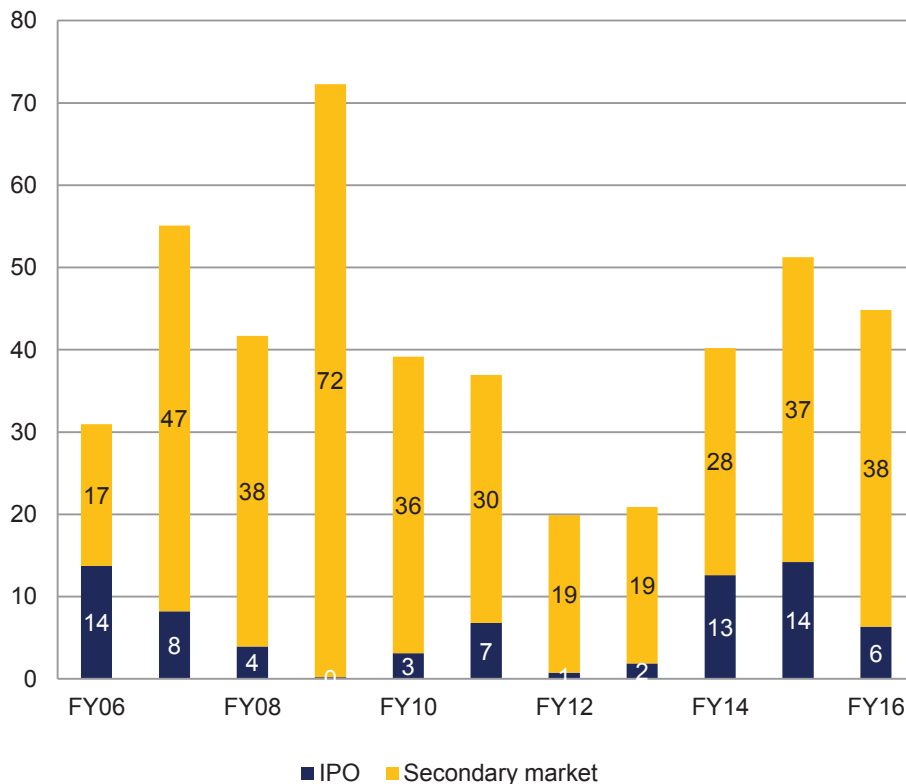
Health Care again outperformed. The sector also welcomed positive news in May as the Federal Government announced plans to hold off the proposed reduction in bulk billing incentives for pathology services. The proposed cut was originally announced in December as part of the mid-year Federal Budget review.

The Reserve Bank of Australia (**RBA**) lowered the official cash rate from 2.00% to 1.75% in May, in a response to weaker-than-expected 1Q16 inflation data. The headline Consumer Price Index (**CPI**) fell 0.2% quarter-on-quarter (qoq) in 1Q16 and stood at 1.3% year-on-year (**yo**y), significantly below the RBA's target band of 2.0% to 3.0%. In its semi-annual Statement of Monetary Policy on May 5, the RBA lowered its 2016 inflation forecast to between 1.0%-2.0% from 2.0%-3.0%, noting broad-based weakness in domestic cost pressures.

The Initial Public Offering (**IPO**) market recorded a decline in both volume and value in FY16 compared to the preceding financial year. In FY15 the Australian IPO market recorded \$14.2bn of transactions (88 companies listed) bolstered by the \$5.7bn Medibank Private IPO. In comparison, over FY16 Australian IPO transactions totalled \$6.4bn (85 companies listed). The largest listing in FY16 were Link Administration Holdings (\$946.3mn) and Reliance Worldwide Corporation (\$918.8mn IPO) however, neither of these were included in the ASX 100 during the period and so did not qualify for investment consideration by the Company.

Most notably in the secondary market, three of the 'Big 4' banks followed National Australia Bank's \$5.5bn capital raising in May 2015, raising additional equity in order to meet stricter regulatory capital requirements. The Commonwealth Bank of Australia, Westpac Banking Corp and Australian & New Zealand Banking Group all conducted equity issues in the first half of FY16, adding \$5.1bn, \$3.5bn and \$3.2bn respectively to their share capital.

### Equity Raisings (by value) in \$bn



Source: Bloomberg

Announced Australian mergers and acquisitions (M&A) activity in FY16 declined 9.2% from the prior financial year to \$113.3bn in value. The trend away from resource transactions over recent years continued. The largest deal announced for the period was Asciano's \$9.0bn takeover by a consortium led by Australian logistics group Qube and Canada's Brookfield infrastructure. Other high profile deals included Macquarie Group Limited's \$8.2bn acquisition of the Esanda Dealer Finance portfolio from Australia & New Zealand Banking Group, and National Australia Bank's demerger of Clydesdale Banking Group. The Company has maintained an ownership interest in Clydesdale, which following the demerger, was listed on the ASX and included in the Index.

In FY16, the AUD depreciated 3.3% against the USD, standing at 74.51 cents. Against its other major trading partners, the AUD depreciated against the JPY (-18.6%), the EUR (-1.7%) and the KRW (-0.5%) but appreciated against the GBP (+17.1%) and the CNY (+3.6%). Attempts to weaken their respective currencies remains a goal of numerous central banks, including the RBA. Across the world monetary policies remain extraordinarily accommodative and the current settings have no historical precedent.

While the outlook for global and domestic economic growth remains uncertain, we believe the Company remains well-positioned over the long-term to benefit from the expected growth in a portfolio comprising some of Australia's best governed companies.

**Australian Governance Masters Index Fund Limited**  
**Manager's report**  
**30 June 2016**

**INVESTMENT PORTFOLIO**

The market value of the investment portfolio, allocated across 75 companies, at 30 June 2016 is shown below:

<b>COMPANY</b>	<b>MARKET VALUE (\$)</b>	<b>WEIGHT (%)</b>
COMMONWEALTH BANK OF AUSTRALIA	5,762,336	11.46%
WESTPAC BANKING CORPORATION	4,430,727	8.81%
ANZ BANKING GROUP	3,179,812	6.32%
TELSTRA CORPORATION LTD	3,071,500	6.11%
NATIONAL AUSTRALIA BANK LTD	3,039,572	6.04%
BHP BILLITON LTD	2,704,437	5.38%
CSL LTD	2,319,097	4.61%
WESFARMERS LTD	2,036,559	4.05%
WOOLWORTHS LTD	1,207,066	2.40%
TRANSURBAN GROUP	1,102,816	2.19%
MACQUARIE GROUP LTD	1,059,406	2.11%
BRAMBLES LTD	883,940	1.76%
WOODSIDE PETROLEUM LTD	878,661	1.75%
RIO TINTO LTD	872,144	1.73%
NEWCREST MINING LTD	793,316	1.58%
AMCOR LIMITED	781,317	1.55%
SUNCORP GROUP LTD	708,096	1.41%
SYDNEY AIRPORT	694,985	1.38%
AMP LTD	689,624	1.37%
QBE INSURANCE GROUP LTD	643,281	1.28%
INSURANCE AUSTRALIA GROUP LTD	598,759	1.19%
AGL ENERGY LTD	586,802	1.17%
STOCKLAND	505,995	1.01%
APA GROUP	465,252	0.93%
ORIGIN ENERGY LTD	453,037	0.90%
GPT GROUP	438,756	0.87%
RAMSAY HEALTH CARE LTD	418,074	0.83%
JAMES HARDIE INDUSTRIES	409,716	0.81%
SONIC HEALTHCARE LTD	402,339	0.80%
ASX LTD	400,263	0.80%
DEXUS PROPERTY GROUP	391,342	0.78%
ASCIANO LTD	390,928	0.78%
CALTEX AUSTRALIA LTD	375,942	0.75%
ARISTOCRAT LEISURE LTD	373,331	0.74%
SOUTH32 LTD	370,287	0.74%
MEDIBANK PRIVATE LTD	367,104	0.73%
MIRVAC GROUP	333,338	0.66%
COCHLEAR LTD	309,794	0.62%
LEND LEASE GROUP	301,946	0.60%
TATTS GROUP LTD	252,151	0.50%
SEEK LTD	236,470	0.47%
INCITEC PIVOT LTD	224,874	0.45%
HEALTHSCOPE LTD	223,841	0.45%
COMPUTERSHARE LTD	210,993	0.42%
BORAL LTD	208,992	0.42%

**Australian Governance Masters Index Fund Limited**  
**Manager's report**  
**30 June 2016**

<b>COMPANY</b>	<b>MARKET VALUE (\$)</b>	<b>WEIGHT (%)</b>
VOCUS COMMUNICATIONS LTD	208,484	0.41%
ORICA LTD	205,147	0.41%
BENDIGO AND ADELAIDE BANK	197,818	0.39%
COCA-COLA AMATIL LTD	196,442	0.39%
DOMINO'S PIZZA ENTERPRISES LTD	194,239	0.39%
THE STAR ENTERTAINMENT GROUP LTD	190,517	0.38%
BANK OF QUEENSLAND LTD	179,829	0.36%
TABCORP HOLDINGS LTD	170,680	0.34%
TPG TELECOM LTD	167,873	0.33%
BLUESCOPE STEEL LTD	165,645	0.33%
ORORA LTD	153,221	0.30%
REA GROUP LTD	133,377	0.27%
MAGELLAN FINANCIAL GROUP LTD	133,211	0.26%
IRON MOUNTAIN INCORP CDI 1:1	130,011	0.26%
CLYDESDALE BANK PLC	126,447	0.25%
ILUKA RESOURCES LTD	124,952	0.25%
CARSALES.COM LTD	123,175	0.24%
ADELAIDE BRIGHTON LTD	113,929	0.23%
DULUXGROUP LTD	108,830	0.22%
JB HI-FI LTD	107,775	0.21%
OZ MINERALS LTD	105,243	0.21%
HENDERSON GROUP	104,180	0.21%
PERPETUAL LTD	87,709	0.17%
CSR LTD	84,885	0.17%
FLIGHT CENTRE TRAVEL GROUP LTD	80,497	0.16%
NAVITAS LTD	75,839	0.15%
BLACKMORES LTD	74,892	0.15%
DOWNER EDI LTD	74,647	0.15%
GRAINCORP LTD	71,206	0.14%
SIRTEX MEDICAL LTD	68,246	0.14%
<b>SUBTOTAL</b>	<b>\$50,067,962</b>	<b>99.56%</b>
CASH	\$222,237	0.44%
<b>TOTAL</b>	<b>\$50,290,198</b>	<b>100.00%</b>

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

**Australian Governance Masters Index Fund Limited**  
**Corporate governance statement**  
**30 June 2016**

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 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 3<sup>rd</sup> 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
- 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.

**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.

**Australian Governance Masters Index Fund Limited**  
**Corporate governance statement**  
**30 June 2016**

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 FY2015-16, are set out below:

- At least one female director representation on the Board.

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

- As at 30 June 2016, there were 1 female and 2 male directors
- The Board was satisfied it had achieved its measurable objectives for FY2015-2016

## **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

Ms Josephine Tan – Independent Non-Executive Director

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.

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

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

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

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

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*.

**Australian Governance Masters Index Fund Limited**  
**Corporate governance statement**  
**30 June 2016**

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 the year ended 30 June 2016 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 addition, the Manager has also established its own Share Trading Policy, which is applicable to its staff in the Funds Management division. Similarly, this policy also places restrictions and notification requirements, including the imposition of blackout periods, trading windows and the need to obtain pre-trade approval.



#### **4. Safeguard Integrity in Corporate Reporting**

##### **Audit Committee**

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

#### **5. Making Timely and Balanced Disclosure**

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

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

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

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

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

##### **Rights of Security Holders**

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

These include:

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

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

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

### **Risk Management**

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

In order to evaluate and continually improve the effectiveness of its risk management and internal control processes, the Company has adopted a Risk Management Guideline. The Board will annually review the Company's Risk Management Guideline in the Annual Strategy Meeting to satisfy itself that the Risk Management framework continues to be sound. The last review took place on 17 November 2015.

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.

**Australian Governance Masters Index Fund Limited**  
**Corporate governance statement**  
**30 June 2016**

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 2016 were \$100,000.

Remuneration of the directors during the year ended 30 June 2016 is set out in the Directors' Report and in the notes to the financial statements.

**Other Information**

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

## **Australian Governance Masters Index Fund Limited**

### **Directors' report**

**30 June 2016**

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2016.

#### **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

Ms Josephine Tan – Independent Non-Executive Director

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

#### **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. 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 and he beneficially holds 76,971 fully paid ordinary shares in the capital of the Company.

During the past three years, he has acted as a Non-Executive Director of the Australian listed public company:

- Global Resource Masters Fund Limited (since 2008, delisted on 11 March 2016).

## **Australian Governance Masters Index Fund Limited**

### **Directors' report**

**30 June 2016**

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 a Non-Executive Director of the Asian Masters Fund Limited and is also on the Advisory Board of Emerging Markets Masters Fund.

He was appointed as Non-Executive Director on 30 November 2009 and 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 delisted on 11 March 2016)
- Australian Masters Corporate Bond Fund No 5 Limited (since 2009, retired on 25 November 2015)
- Australian Masters Yield Fund No 1 Limited (since 2010, retired on 25 November 2015)
- Australian Masters Yield Fund No 2 Limited (since 2010, retired on 25 November 2015)
- Australian Masters Yield Fund No 3 Limited (since 2011, retired on 25 November 2015)
- US Masters Residential Property Fund (since 2011 until 22 June 2015)
- US Select Private Opportunities Fund (since 2012 until 23 April 2014).

Josephine Tan BCom, BSc  
Independent Non-Executive Director

Josephine 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.

Josephine was appointed as a Non-Executive Director on 25 February 2015 and 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.

### **Company secretary**

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

**Australian Governance Masters Index Fund Limited**  
**Directors' report**  
**30 June 2016**

**Information on Company Secretary**

Hannah Chan BCom, MCom, CA

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, Hannah gained extensive audit experience while working with Deloitte Touche Tohmatsu and Ernst & Young.

She is also the Company Secretary of Australian Masters Yield Fund Series, Asian Masters Fund Limited, joint Company Secretary of New Energy Solar Limited, Walsh & Company Investments Limited and Walsh & Company Asset Management Pty Limited.

She was appointed as Company Secretary on 30 November 2009.

**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 Instrument 2016/191. The Company is an entity to which the ASIC Instrument applies.

**Review of operations**

The profit for the Company after providing for income tax amounted to \$2,346,000 (30 June 2015: \$2,618,000).

Total comprehensive loss for the financial year was \$808,000 (2015: \$2,756,000 income) for the Company.

At 30 June 2016, the Company is in a strong position with total assets of approximately \$51.9 million with no borrowings. The net asset value per ordinary share of the Company was \$1.72 after unrealised gains and adjustment for tax (2015: \$1.83 per ordinary share).

The weighted average number of ordinary shares for the year was 30,713,172. The basic and diluted earnings per share after tax was 7.64 cents.

During the year ended 30 June 2016, the Company bought back 2,593,764 ordinary shares for a total consideration of \$4,553,000.

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 24 September 2015, a special fully franked dividend of 2.0 cents per share on 18 December 2015 and a fully franked dividend of 3 cents per share on 30 March 2016. Total dividends paid for the year was \$2,472,000 of which \$732,000 was reinvested as part of the Company's Dividend Reinvestment Plan.

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the Company during the financial year.

**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.

**Australian Governance Masters Index Fund Limited**  
**Directors' report**  
**30 June 2016**

**Environmental issues**

The Company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**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 the company**

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

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

**Matters subsequent to the reporting period**

Since 30 June 2016, the Company bought back a further 516,743 fully paid ordinary shares for a total consideration of \$914,757. The Company's buyback program will continue until close of trade on 22 November 2016.

On 22 August 2016, the Company announced a fully franked dividend of \$0.03 per share which is anticipated to be paid to shareholders on, or around, 22 September 2016. The record date for determining entitlement to the dividend is 29 August 2016.

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.

**Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Board meetings Attended	Board meetings Held
Jeffrey Whalan	6	6
Maximilian Walsh	6	6
Josephine Tan	5	6

Held: represents the number of meetings held during the time the director held office.

**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.

**Australian Governance Masters Index Fund Limited**  
**Directors' report**  
**30 June 2016**

(a) Remuneration of non-executive directors

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

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

**Directors' Fees**

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

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

**Retirement Benefits to Directors**

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

**Other Benefits and Incentives**

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

(b) Key Management Personnel Remuneration

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

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

	Short-term benefits	Post- employment benefits	Total
	Cash salary	Super- annuation	
	\$	\$	\$
<b>2016</b>			
<i>Directors</i>			
Jeffrey Whalan	45,662	4,338	50,000
Josephine Tan	50,000	-	50,000
	<u>95,662</u>	<u>4,338</u>	<u>100,000</u>



**Australian Governance Masters Index Fund Limited**  
**Directors' report**  
**30 June 2016**

	Short-term benefits	Post- employment benefits	
	Cash salary and fees	Super- annuation	Total
	\$	\$	\$
<b>2015</b>			
<i>Directors</i>			
Jeffrey Whalan	45,662	4,338	50,000
David Hawes *	6,667	35,000	41,667
Josephine Tan	17,158	-	17,158
	<u>69,487</u>	<u>39,338</u>	<u>108,825</u>

\* David Hawes resigned as a director on 30 April 2015.

(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	Number of shares
Jeffrey Whalan	76,971
Maximilian Walsh	50,001
Josephine Tan	-

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

There has been no movement in the number of shares held by each director at 30 June 2016 from 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:

(i) Management fee - Walsh & Company Asset Management Pty Limited

Mr Maximilian Walsh is a Director of the Company and a Director of the ultimate parent 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 2016 was \$187,000 (2015: \$220,000), inclusive of GST. The management fee owed by the Company to Walsh & Company Asset Management Pty Limited at 30 June 2016 was \$15,000 (2015: \$17,000).

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

## **Australian Governance Masters Index Fund Limited**

### **Directors' report**

**30 June 2016**

#### (ii) Brokerage

Mr Maximilian Walsh is a director of the Company and a director of Dixon Advisory & Superannuation Services Limited.

As investment broker, Dixon Advisory & Superannuation Services Limited receives brokerage of 0.25% (exclusive of 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 \$44,000 (2015: \$29,000), 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.

#### **Auditor**

William Buck continues in office in accordance with section 327 of *the Corporations Act 2001*.

#### **Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by *the Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of *the Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

#### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of *the Corporations Act 2001* is set out immediately after this directors' report.

**Australian Governance Masters Index Fund Limited**  
**Directors' report**  
**30 June 2016**

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of *the Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'J. Whalan', is positioned above the printed name of the Chairman.

Mr Jeffrey Robert Whalan  
Chairman

22 August 2016

**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 2016 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. A. Nevill*

**M.A Nevill**  
Partner  
Dated this 22nd day of August, 2016

**CHARTERED ACCOUNTANTS  
& ADVISORS**

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Parramatta NSW 2124  
Telephone: +61 2 8836 1500  
**williambuck.com**

**Australian Governance Masters Index Fund Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2016**

	Note	2016 \$'000	2015 \$'000
<b>Revenue</b>	3	2,699	3,010
<b>Expenses</b>			
Management fee		(174)	(205)
Directors' fees		(100)	(109)
Other expenses		(50)	(44)
<b>Profit before income tax expense</b>		2,375	2,652
Income tax expense	4	(29)	(34)
<b>Profit after income tax expense for the year attributable to the owners of Australian Governance Masters Index Fund Limited</b>		2,346	2,618
<b>Other comprehensive (loss)/income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
(Loss)/Gain on revaluation of investments		(4,508)	197
Provision for tax on the above		1,354	(59)
Other comprehensive (loss)/income for the year, net of tax		(3,154)	138
<b>Total comprehensive (loss)/income for the year attributable to the owners of Australian Governance Masters Index Fund Limited</b>		<u>(808)</u>	<u>2,756</u>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	5	7.64	8.10
Diluted earnings per share	5	7.64	8.10

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Australian Governance Masters Index Fund Limited**  
**Statement of financial position**  
**As at 30 June 2016**

	Note	2016 \$'000	2015 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	206	661
Receivables	7	1,600	559
Prepayments		-	5
<b>Total current assets</b>		<u>1,806</u>	<u>1,225</u>
<b>Non-current assets</b>			
Financial assets	8	50,068	58,917
<b>Total non-current assets</b>		<u>50,068</u>	<u>58,917</u>
<b>Total assets</b>		<u>51,874</u>	<u>60,142</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	195	23
<b>Total current liabilities</b>		<u>195</u>	<u>23</u>
<b>Non-current liabilities</b>			
Deferred tax	10	1,384	2,712
<b>Total non-current liabilities</b>		<u>1,384</u>	<u>2,712</u>
<b>Total liabilities</b>		<u>1,579</u>	<u>2,735</u>
<b>Net assets</b>		<u>50,295</u>	<u>57,407</u>
<b>Equity</b>			
Issued capital	11	44,792	48,624
Reserves	12	4,184	7,338
Retained profits		1,319	1,445
<b>Total equity</b>		<u>50,295</u>	<u>57,407</u>

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

**Australian Governance Masters Index Fund Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2016**

	Issued capital \$'000	Asset revaluation reserve \$'000	Capital profits reserve \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2014	52,721	8,365	(1,165)	1,592	61,513
Profit after income tax expense for the year	-	-	-	2,618	2,618
Other comprehensive income for the year, 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	-	-
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued (note 11)	825	-	-	-	825
Shares bought back (note 11)	(4,908)	-	-	-	(4,908)
Issue and buyback costs (net of tax) (note 11)	(14)	-	-	-	(14)
Dividends paid (note 13)	-	-	-	(2,765)	(2,765)
Balance at 30 June 2015	<u>48,624</u>	<u>7,632</u>	<u>(294)</u>	<u>1,445</u>	<u>57,407</u>
	48,624	7,632	(294)	1,445	57,407
Balance at 1 July 2015	48,624	7,632	(294)	1,445	57,407
Profit after income tax expense for the year	-	-	-	2,346	2,346
Other comprehensive loss for the year, net of tax	-	(3,154)	-	-	(3,154)
Total comprehensive (loss)/income for the year	-	(3,154)	-	2,346	(808)
Transfer to capital profits reserve of cumulative realised gain on disposal of investments (net of tax)	-	(72)	72	-	-
<i>Transactions with owners in their capacity as owners:</i>					
Shares Issue (note 11)	733	-	-	-	733
Shares brought back (note 11)	(4,553)	-	-	-	(4,553)
Issue and buyback costs (net of tax) (note 11)	(12)	-	-	-	(12)
Dividends paid (note 13)	-	-	-	(2,472)	(2,472)
Balance at 30 June 2016	<u>44,792</u>	<u>4,406</u>	<u>(222)</u>	<u>1,319</u>	<u>50,295</u>

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

**Australian Governance Masters Index Fund Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2016**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Interest received from bank		20	17
Dividends received		2,720	3,031
Payment to suppliers		<u>(324)</u>	<u>(376)</u>
Net cash from operating activities	14	<u>2,416</u>	<u>2,672</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of investments		7,208	8,206
Payments for purchase of investments		<u>(3,855)</u>	<u>(3,524)</u>
Net cash from investing activities		<u>3,353</u>	<u>4,682</u>
<b>Cash flows from financing activities</b>			
Dividends paid		(1,740)	(1,940)
Payments of issue and buyback costs		(18)	(21)
Payments for share buy-backs		<u>(4,466)</u>	<u>(4,960)</u>
Net cash used in financing activities		<u>(6,224)</u>	<u>(6,921)</u>
Net (decrease)/increase in cash and cash equivalents		(455)	433
Cash and cash equivalents at the beginning of the financial year		<u>661</u>	<u>228</u>
Cash and cash equivalents at the end of the financial year	6	<u><u>206</u></u>	<u><u>661</u></u>

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



**Australian Governance Masters Index Fund Limited**  
**Notes to the financial statements**  
**30 June 2016**

**1. General information**

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 22 August 2016.

**2. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**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.

**Operating segments**

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.

**Foreign currency transactions and balances**

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.

**Revenue recognition**

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

*Interest income*

Interest income is recognised in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

*Dividends*

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

## **2. Significant accounting policies (continued)**

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

### **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.

### **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.

### **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.

**2. Significant accounting policies (continued)**

(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.

## **2. Significant accounting policies (continued)**

### (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.

### **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.

### **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.

### **Fair value measurement**

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### **Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## **2. Significant accounting policies (continued)**

### **Dividends**

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

### **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.

### **Comparative Figures**

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

### **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.

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.

### **Rounding of amounts**

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 Instrument 2016/191. The Company is an entity to which the ASIC Instrument applies.

### **New 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 mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2016. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

#### *AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard 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. The Company will adopt this standard from 1 January 2018.

**Australian Governance Masters Index Fund Limited**  
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**2. Significant accounting policies (continued)**

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. 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.

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.

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. The Company will adopt this standard from 1 January 2018 but the impact of its adoption is expected to be minimal.

**3. Revenue**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Operating activities		
Dividends revenue	2,687	2,995
Interest income	12	15
	<u>2,699</u>	<u>3,010</u>
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Dividend and distribution income from:		
Investments held at the end of the year	2,531	2,848
Investments derecognised during the year	156	147
	<u>2,687</u>	<u>2,995</u>

**4. Income tax expense**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	2,375	2,652
Tax at the statutory tax rate of 30%	713	796
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Rebateable franked dividends	(684)	(762)
Income tax expense	<u>29</u>	<u>34</u>

**Australian Governance Masters Index Fund Limited**  
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**5. Earnings per share**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
a) Earnings used in calculating earnings per share		
Profit after income tax attributable to the owners of Australian Governance Masters Index Fund Limited	<u>2,346</u>	<u>2,618</u>
b) Weighted average number of shares	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>30,713,172</u>	<u>32,330,885</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>30,713,172</u>	<u>32,330,885</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	7.64	8.10
Diluted earnings per share	7.64	8.10

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

**6. Current assets - cash and cash equivalents**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	<u>206</u>	<u>661</u>

The weighted average interest rate on cash at bank is 1.61% (2015: 1.88%) as at year end.

**7. Current assets - receivables**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Unsettled trades	1,065	-
Dividends receivable	530	551
GST receivable	<u>5</u>	<u>8</u>
	<u>1,600</u>	<u>559</u>

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.

The unsettled trades receivable balance represents the value of equity investments sold prior to 30 June 2016 where consideration is due to be received post balance date.

**Australian Governance Masters Index Fund Limited**  
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**8. Non-current assets - Financial assets**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Equity investments</b>		
Fair value through other comprehensive income	50,068	58,917
	<b>2016</b>	<b>2015</b>
<b>Reconciliation of financial assets</b>		
Carrying amount at the beginning of the year	58,917	63,404
Additions	3,934	3,524
Revaluation to fair value	(4,514)	197
Disposals	(8,269)	(8,208)
Carrying amount at the end of the year	50,068	58,917

Disposal of investments

During the year ended 30 June 2016, the fair value of disposed equity investments at disposal date was \$8,205,000 (2015: \$7,590,000), and the total realised gain on disposals transferred to capital profits reserve was \$72,000 (2015: \$872,000).

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

Equity Investments at 30 June 2016

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

<b>Investment</b>	<b>Fair Value 2016</b>
	<b>\$'000</b>
Commonwealth Bank Of Australia	5,762
Westpac Banking Corporation	4,431
ANZ Banking Group Ltd	3,180
Telstra Corporation Ltd	3,072
National Australia Bank Ltd	3,040
BHP Billiton Ltd	2,704
CSL Ltd	2,319
Wesfarmers Ltd	2,037
Woolworths Ltd	1,207
Transurban Group	1,103
Macquarie Group Ltd	1,059
Brambles Ltd	884
Woodside Petroleum Ltd	879
Rio Tinto Ltd	872
Newcrest Mining Ltd	793
Amcor Limited	781
Suncorp Group Ltd	708
Sydney Airport	695
AMP Ltd	690
QBE Insurance Group Ltd	643
Insurance Australia Group Ltd	599



**Australian Governance Masters Index Fund Limited**  
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**8. Non-current assets - Financial assets (continued)**

<b>Investment</b>	<b>Fair Value 2016</b>
	<b>\$'000</b>
AGL Energy Ltd	587
Stockland Corporation Ltd	506
APA Group	465
Origin Energy Ltd	453
GPT Group	439
Ramsay Health Care Ltd	418
James Hardie Industries	410
Sonic Healthcare Ltd	402
ASX Ltd	400
Dexus Property Group	391
Asciano Ltd	391
Caltex Australia Ltd	376
Aristocrat Leisure Ltd	373
South32 Ltd	370
Medibank Private Ltd	367
Mirvac Group	333
Cochlear Ltd	310
Lend Lease Group	302
Tatts Group Ltd	252
Seek Ltd	236
Other Listed Investments	4,828
<b>Total Investments at fair value through other comprehensive income</b>	<b>50,068</b>

**9. Current liabilities - Trade and other payables**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Unsettled trades	166	-
Accrued liabilities	16	14
Other payables	13	9
	<u>195</u>	<u>23</u>

The unsettled trades payable balance represents the value of equity investments purchased prior to 30 June 2016 where consideration is due to be paid post balance date.

**Australian Governance Masters Index Fund Limited**  
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**10. Non-current liabilities - deferred tax**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Deferred tax liabilities/(assets) comprise:		
Transaction costs	(11)	(14)
Fair value adjustments	1,887	3,272
Revenue and capital losses	(492)	(546)
	<u>1,384</u>	<u>2,712</u>
Deferred tax liability	<u>1,384</u>	<u>2,712</u>
<i>Movements:</i>		
Opening balance	2,712	2,624
Charged to profit or loss	29	(34)
Debited to equity	(1,357)	122
	<u>1,384</u>	<u>2,712</u>
Closing balance	<u>1,384</u>	<u>2,712</u>

**11. Equity - issued capital**

	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares - fully paid	<u>29,247,386</u>	<u>31,407,171</u>	<u>44,792</u>	<u>48,624</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>\$'000</b>
Balance	1 July 2014	33,485,211	52,721
Issue of ordinary shares (i)	2 October 2014	165,639	299
Issue of ordinary shares (ii)	15 December 2014	137,820	241
Issue of ordinary shares (iii)	2 April 2015	149,348	285
Buyback of shares		(2,530,847)	(4,908)
Issue and buyback costs (net of tax)		-	(14)
Balance	30 June 2015	31,407,171	48,624
Issue of ordinary shares (iv)	24 September 2015	167,940	280
Issue of ordinary shares (v)	18 December 2015	109,478	185
Issue of ordinary shares (vi)	30 March 2016	156,561	268
Buyback of shares		(2,593,764)	(4,553)
Issue and buyback costs (net of tax)		-	(12)
Balance	30 June 2016	<u>29,247,386</u>	<u>44,792</u>

(i) With respect to dividend paid on 2 October 2014, 165,639 ordinary shares were issued at \$1.80 per share.

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

(iii) With respect to dividend paid on 2 April 2015, 149,348 ordinary shares were issued at \$1.91 per share.

(iv) With respect to dividend paid on 24 September 2015, 167,940 ordinary shares were issued at \$1.67 per share.

(v) With respect to dividend paid on 18 December 2015, 109,478 ordinary shares were issued at \$1.68 per share.

(vi) With respect to dividend paid on 30 March 2016, 156,561 ordinary shares were issued at \$1.71 per share.

**Australian Governance Masters Index Fund Limited**  
**Notes to the financial statements**  
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**11. Equity - issued capital (continued)**

*Ordinary shares*

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 risk management*

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

The Company's capital will fluctuate with prevailing market movements and it may undertake a buyback of its shares in the event that they trade at a sizable discount to Net Tangible Asset backing.

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

Continuing with its pre-existing buy-back program, the Company was granted shareholder approval at a General Meeting held on 17 November 2015 to purchase up to 25% of the shares on issue. During the year ended 30 June 2016, 2,593,764 shares were bought back at a total cost (excluding securities trade fees) of approximately \$4.6 million. This represents 8.3% of the share capital on issue at the end of the previous financial year.

**12. Equity - reserves**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Asset revaluation reserve	4,406	7,632
Capital profits reserve	(222)	(294)
	<u>4,184</u>	<u>7,338</u>

*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.

**Australian Governance Masters Index Fund Limited**  
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**12. Equity - reserves (continued)**

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

	<b>Asset revaluation reserve \$'000</b>	<b>Capital profits reserve \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2014	8,365	(1,165)	7,200
Gain on investment revaluations	197	-	197
Tax on the above	(59)	-	(59)
Transfer to capital profits reserve	(1,245)	1,245	-
Tax on the above	374	(374)	-
Balance at 30 June 2015	7,632	(294)	7,338
Gain on investment revaluations	(4,508)	-	(4,508)
Tax on the above	1,354	-	1,354
Transfer to capital profits reserve	(103)	103	-
Tax on the above	31	(31)	-
Balance at 30 June 2016	<u>4,406</u>	<u>(222)</u>	<u>4,184</u>

**13. Equity - dividends**

*Dividends*

Dividends paid during the financial year were as follows:

	<b>2016 \$'000</b>	<b>2015 \$'000</b>
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
Fully franked dividend of 3.0 cents per share paid on 24 September 2015	940	-
Fully franked dividend of 2.0 cents per share paid on 18 December 2015	619	-
Fully franked dividend of 3.0 cents per share paid on 30 March 2016	913	-
	<u>2,472</u>	<u>2,765</u>

The tax rate at which paid dividends have been franked is 30% (2015: 30%)

*Franking credits*

	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Franking credits available at the reporting date based on a tax rate of 30%	938	1,018
Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date based on a tax rate of 30%	174	178
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>1,112</u>	<u>1,196</u>

**Australian Governance Masters Index Fund Limited**  
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**13. Equity - dividends (continued)**

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

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

**14. Reconciliation of profit after income tax to net cash from operating activities**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after income tax expense for the year	2,346	2,618
Change in operating assets and liabilities:		
Increase in other receivables	35	27
Decrease in tax assets	29	34
(Increase) in trade payables and accruals	6	(7)
Net cash from operating activities	<u>2,416</u>	<u>2,672</u>

The Company does not have any formal loan facilities in place at the date of these financial statements (2015: Nil).

**15. Related party transactions**

*Key management personnel*

Disclosures relating to key management personnel are set out in note 16 and the remuneration report included in the directors' report.

*Receivable from and payable to related parties*

Management fee - Walsh & Company Asset Management Pty Limited

Mr Maximilian Walsh is a director of the Company and a director of the ultimate parent 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 2016 was \$187,000, inclusive of GST (2015: \$220,000). The management fee owed by the Company to Walsh & Company Asset Management Pty Limited at 30 June 2016 was \$15,000 (2015: \$17,000).

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

**Australian Governance Masters Index Fund Limited**  
**Notes to the financial statements**  
**30 June 2016**

**15. Related party transactions (continued)**

Brokerage - Dixon Advisory & Superannuation Services Limited

Mr Maximilian Walsh is a director of the Company and a director of Dixon Advisory & Superannuation Services Limited.

As investment broker, Dixon Advisory & Superannuation Services Limited receives brokerage of 0.25% (exclusive of 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 \$44,000 (2015: \$29,000), inclusive of GST.

The directors of the Company are satisfied that the brokerage rate is in line with market rates.

*Terms and conditions*

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

**16. Key management personnel disclosures**

*Directors*

The following persons were directors of Australian Governance Masters Index Fund Limited during the financial year:

Jeffrey Robert Whalan	Independent non-executive chairman
Maximilian Sean Walsh	Non-executive director
Josephine Tan	Independent non-executive director

*Compensation*

The aggregate compensation made to directors of the company is set out below:

	<b>2016</b>	<b>2015</b>
	\$	\$
Short-term employee benefits	95,662	69,487
Post-employment benefits	4,338	39,338
	<u>100,000</u>	<u>108,825</u>

**17. Financial instruments**

***Financial risk management objectives***

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 market price risk, credit risk and liquidity risk.

***Market risk***

*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.

**Australian Governance Masters Index Fund Limited**  
**Notes to the financial statements**  
**30 June 2016**

**17. Financial instruments (continued)**

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 on financial assets at fair value through other comprehensive income, with all other variables remaining constant, would be as follows:

		Effect on			Effect on	
	% change	profit before	Effect on	% change	profit before	Effect on
2016		tax	equity		tax	equity
Financial assets*	5%	-	2,503	(5%)	-	(2,503)
Financial assets*	10%	-	5,007	(10%)	-	(5,007)
		-	7,510		-	(7,510)
	% change	profit before	Effect on	% change	profit before	Effect on
2015		tax	equity		tax	equity
Financial assets*	5%	-	2,946	(5%)	-	(2,946)
Financial assets*	10%	-	5,892	(10%)	-	(5,892)
		-	8,838		-	(8,838)

\*Financial assets are designated as at fair value through other comprehensive income.

**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 2016 (2015: Nil).

**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 2016 (2015: 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.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Australian Governance Masters Index Fund Limited**  
**Notes to the financial statements**  
**30 June 2016**

**18. Fair value measurement**

*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 the manager's report.

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:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2016</b>				
<i>Financial assets at fair value through other comprehensive income</i>				
Equity investments	50,068	-	-	50,068
Total assets	50,068	-	-	50,068
<b>2015</b>				
<i>Financial assets at fair value through other comprehensive income</i>				
Equity investments	58,917	-	-	58,917
Total assets	58,917	-	-	58,917

There were no transfers between levels during the financial year.

**19. Contingent liabilities**

The directors are not aware of any potential liabilities or claims against the Company as at the date of these financial statements (2015: nil).

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

Since 30 June 2016, the Company bought back a further 516,743 fully paid ordinary shares for a total consideration of \$914,757. The Company's buyback program will continue until close of trade on 22 November 2016.

On 22 August 2016, the Company announced a fully franked dividend of \$0.03 per share which is anticipated to be paid to shareholders on, or around, 22 September 2016. The record date for determining entitlement to the dividend is 29 August 2016.

Other than those disclosed above, 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.



**Australian Governance Masters Index Fund Limited**  
**Notes to the financial statements**  
**30 June 2016**

**21. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by William Buck, the auditor of the company:

	<b>2016</b>	<b>2015</b>
	\$	\$
<i>Audit services - William Buck</i>		
Audit or review of the financial statements	36,300	35,000
<i>Other services - William Buck</i>		
Tax review	12,200	11,400
	<u>48,500</u>	<u>46,400</u>

Under the Management Agreement, the Manager, Walsh & Company Asset Management Pty 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.

**22. Company details**

The registered office and principal place of business of the Company is:

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

**Australian Governance Masters Index Fund Limited**

**Directors' declaration**

**30 June 2016**

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Mr Jeffrey Robert Whalan  
Chairman

22 August 2016

## 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 25 to 46, which comprises the statement of financial position as at 30 June 2016, the statement of profit of loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### *Directors' Responsibility for the Financial Report*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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*. We confirm that the independence declaration required by *the Corporations Act 2001*, has been given to the directors of Australian Governance Masters Index Fund Limited at the same time of this auditor's report.

### CHARTERED ACCOUNTANTS & ADVISORS

**Sydney Office**  
Level 29, 66 Goulburn Street  
Sydney NSW 2000

Telephone: +61 2 8263 4000

**Parramatta Office**  
Level 7, 3 Horwood Place  
Parramatta NSW 2150

PO Box 19  
Parramatta NSW 2124  
Telephone: +61 2 8836 1500

[williambuck.com](http://williambuck.com)

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

### *Auditor's Opinion*

In our opinion:

- a) the financial report of Australian Governance Masters Index Fund Limited on pages 25 to 46 is in accordance with *the Corporations Act 2001*, including:
  - i. giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (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 19 to 22 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's Opinion*

In our opinion, the Remuneration Report of Australian Governance Masters Index Fund Limited for the year ended 30 June 2016, 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 2016 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  
ABN 16 021 300 521

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

**M.A. Nevill**

Partner

Dated this 22nd day of August, 2016

**Australian Governance Masters Index Fund Limited**  
**Shareholder information**  
**30 June 2016**

The shareholder information set out below was applicable as at 31 July 2016.

**Distribution of equitable securities**

Analysis of number of equitable security holders by size of holding:

<b>Distribution of Shareholders Category (size of holding)</b>	<b>Number of shareholders</b>
1 to 1,000	21
1,001 to 5,000	117
5,001 to 10,000	370
10,001 to 100,000	975
100,001 and over	13
	1,496
	14

**Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

<b>Shareholder Name</b>	<b>Number of shares held</b>	<b>% of Total</b>
RG & MJ WILSON SUPERFUND A/C	324,000	1.11
G & A MORRISON S/F A/C	140,000	0.48
HAWES FAMILY SUPER FUND A/C	135,000	0.46
R & D KEEN SUPER FUND A/C	125,864	0.43
A S & J M CARTER S/F A/C	125,850	0.43
THE GALLERY SUPER FUND A/C	125,654	0.43
R & S TAYLOR SUPER FUND A/C	118,750	0.41
G & R SEABURY S/FUND A/C	115,633	0.40
SARBRO SUPER FUND A/C	113,970	0.39
THE D & J MAHER S/FUND A/C	113,325	0.39
JP & LM CALLUAUD S/F A/C	111,000	0.38
WILLIAM JOHN EARLE S/F A/C	106,250	0.36
BREWER SUPER FUND A/C	105,035	0.36
JOHN G KING S/F A/C	98,700	0.34
S TRANTER & P JACKSON SF A/C	97,917	0.33
GOODBAN FAMILY S/FUND A/C	97,524	0.33
ROSENSHUL S/F A/C	90,000	0.31
PURCELL FAMILY RETIRE A/C	87,500	0.30
BERNARD G RENWICK S/F A/C	87,000	0.30
RG CONSTRUCT SVCE S/F A/C	86,785	0.30
	2,405,757	8.24
	2,405,757	8.24

*Unquoted equity securities*

There are no unquoted equity securities.

**Substantial holders**

There are no substantial holders in the company.

**Australian Governance Masters Index Fund Limited**  
**Shareholder information**  
**30 June 2016**

**Voting rights**

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

**Restricted securities**

There are no restricted securities on issue by the company.

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

**Management Agreement**

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

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

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

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

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

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.

**Australian Governance Masters Index Fund Limited**  
**Shareholder information**  
**30 June 2016**

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

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

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

**Australian Governance Masters Index Fund Limited**  
**Corporate directory**  
**30 June 2016**

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

The Company's ASX Code is AQF.

**Directors**

Mr Jeffrey Robert Whalan  
(Non-Executive Chairman)

Mr Maximilian Sean Walsh  
(Non-Executive Director)

Ms Josephine Tan  
(Non-Executive Director)

**Share Register managed by**

Boardroom Pty Limited  
Level 12  
225 George Street  
Sydney NSW 2000

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

**Company Secretary**

Ms Hannah Chan

**Auditor**

William Buck  
Level 29  
66 Goulburn Street  
Sydney NSW 2000

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**Solicitor**

Watson Mangioni Lawyers Pty Limited  
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**Bankers**

Macquarie Bank  
ANZ Bank