

Century Australia Investments Limited

ABN 11 107 772 761

Annual Report for the year ended 30 June 2017

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Annual Report - 30 June 2017

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**Century Australia Investments Limited
Corporate Directory**

| | |
|---|--|
| Directors | Robert Turner (Chairman) Stephen Menzies (Non-Executive Director) Ross Finley (Non-Executive Director) Geoffrey Wilson (Non-Executive Director) Christopher Stott (Non-Executive Director) |
| Secretary | Sophia Gartzonis |
| Principal registered office in Australia | Level 12, 680 George Street Sydney NSW 2000 +61 2 8280 7100 |
| Administration | Link Fund Solutions Pty Limited (formerly White Outsourcing Pty Limited) Level 12, 680 George Street Sydney NSW 2000 Phone: +61 2 8280 7100 Fax: +61 2 9221 1194 |
| Share register | Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Phone: 1300 554 474 Fax: +61 2 9287 0303 |
| Investment Manager | MAM Pty Limited, a member of Wilson Asset Management ABN 98 100 276 542 |
| Auditor | Grant Thornton Audit Pty Limited |
| Stock exchange | Australian Securities Exchange ASX code: CYA |
| Website | www.centuryaustralia.com.au |

Chairman's Review

Dear Shareholders,

The Company delivered a profit after tax of \$3.6 million (FY2016: \$5.6 million) for the 12-month period ended 30 June 2017. Total comprehensive income for the period increased by 542.6% to \$8.8 million, reflecting the sound investment portfolio performance. The investment portfolio increased 14.8% in 2017, outperforming the S&P/ASX 300 Accumulation Index by 1.0%.

The investment portfolio outperformed the Index by 1.8% in the period from Wilson Asset Management's appointment on 19 April to 30 June 2017, delivering an increase of 0.7% against the Index's 1.1% fall.

The NTA before tax of the Company increased from 86.1 to 94.1 cents per share, after the payment of a total of 4.3 cents in dividends during the year. The Company's net assets increased from \$77.3 million to \$94.2 million as at 30 June 2017. The increase is reflective of the investment portfolio performance during the year, as well as the growth in assets from the capital raising that was completed in June 2017.

New investment manager

On 18 April 2017, shareholders of Century Australia Investments Limited approved the appointment of MAM Pty Limited, a member of the Wilson Asset Management Group (Wilson Asset Management), as the new Investment Manager. The Company will continue provide investors with access to a portfolio predominately comprised of large-cap companies in the S&P/ASX 300 Index while utilising Wilson Asset Management's investment management expertise. In a demonstration of goodwill and commitment to Century Australia shareholders, Wilson Asset Management has opted to forgo its performance fee for the period to 30 June 2017. On behalf of my fellow shareholders and the Board of directors, I would like to thank Wilson Asset Management for this gesture.

Capital management and dividends

In April 2017, the shareholders of the Company approved a restructure of the Company. As a result, 52,200,282 new shares were issued at an issue price of 96 cents per share on 2 June raising \$50.1 million. As part of the restructure, a total of 39,797,196 shares were bought back at the buy-back price of 93.81 cents per share (which comprised a capital price of 90.90 cents per share and an unfranked dividend component of 2.91 cents per share).

During the year, the Board paid total dividends of 4.3 cents per share. As part of the company restructure, a 1.1 cent special fully franked dividend was paid to shareholders before the completion of the capital raising and buy-back in June 2017. Shareholders who participated in the buy-back also received an unfranked dividend component of 2.91 cents per share (as part of the total buy-back consideration).

The Board determined that as a result of the restructure, which occurred late in the 2017 financial year and with the interim and special fully franked dividends declared and paid, no final dividend was declared for the year ended 30 June 2017.

The Company's intention is to pay an interim dividend in FY2018. This guidance is not a formal declaration of dividends for FY2018 and the size and payment of any interim dividend will be subject to the Company having sufficient profit reserves and franking credits, general equity market conditions and it being within prudent business practices.

The fact that Century Australia is currently not liable to pay tax means that the level of franked dividends paid is reliant on the level of franking credits received by way of fully franked dividend income. Once the total carry forward losses are utilised, Century Australia will return to paying tax on any realised gains. Tax payments will generate additional franking credits from which franked dividends can be paid.

Chairman's Review

Tax losses

The Board has determined that a five-to-seven year time horizon is appropriate to recognise off balance sheet deferred tax assets. Once reinstated, the off balance sheet deferred tax assets would increase the net assets in the Statement of Financial Position and also increase net profit after tax for the year in the Statement of Comprehensive Income. The Board has taken a view on expected equity market returns over the next five years and, on that basis, has written back \$1 million of the deferred tax assets in the current financial year. This compares to \$3 million of deferred tax assets written back in the prior year.

As at 30 June 2017, the Company had on and off balance sheet tax losses of 7.16 cents per share. This equates to \$24.6 million of available carried forward tax losses (\$6.8 million tax effected) which are available to be offset against future taxation liabilities of the Company.

Corporate tax rate

On 19 May 2017, the Federal Government enacted laws reducing the corporate tax rate to 27.5% for companies with turnover below \$10 million in the financial year ended 30 June 2017, applicable retrospectively from 1 July 2016. This legislation also introduced a new formula for determining the maximum franking credit entitlement for a frankable distribution, which is generally based on the Company's corporate tax rate for the prior income year.

Century Australia's turnover was under the \$10 million threshold and therefore the Company has a reduced corporate tax rate of 27.5% for the year ended 30 June 2017 (previously 30%). As a result, revised dividend statements were sent out to investors showing the reduced franking credits for dividends paid by the Company during the 2017 financial year.

The Board wishes to thank shareholders for their continued support.



Robert Turner
Chairman
30 August 2017

Investment Manager's Report

Century Australia raised \$50.1 million and gained 848 new shareholders in June 2017, following Wilson Asset Management's* appointment as the Investment Manager by shareholder vote. Following the capital raising, Wilson Asset Management adjusted Century Australia's portfolio weights to align with its proven research, market and investment-driven processes and for capital preservation purposes. The investment team also added new investments, positioning the portfolio to take advantage of a range of investment opportunities, such as the:

- Increase in US and Australian infrastructure investment;
- Strengthening US dollar and US interest rates; and
- Hardening of the Australian insurance cycle.

The investment portfolio outperformed the S&P/ASX 300 Accumulation Index by 1.8% since Wilson Asset Management's appointment, delivering an increase of 0.7% against the Index's 1.1% fall. At 30 June, the portfolio was made of up 77.9% in listed equities and 22.1% in fixed interest and cash.

Equity market outlook

Wilson Asset Management believes the greatest challenge in FY2018 is the evolution of central banks' policies. Since the global financial crisis, the 50 largest central banks around the world have cut interest rates 700 times and injected \$9 trillion of liquidity into global markets. This liquidity has driven equity valuations to high levels and stimulated economic activity. With global economic conditions improving, the debate is now centred on how quickly central banks should increase interest rates and withdraw liquidity.

In the short term, Wilson Asset Management expects economic growth and corporate earnings will ease the tension between central banks and equity markets globally and allow the Australian share market to continue to rise. Further, the Reserve Bank of Australia's monetary policy remains supportive of investment, with the cash rate at a record low. Wilson Asset Management believes companies that will outperform in FY2018 are those exposed to infrastructure investment, increasing insurance premiums and the global economic recovery.

Top 10 holdings

| Code | Company | Market value \$ | Market value as % gross assets |
|------|---|-----------------|--------------------------------|
| CBA | Commonwealth Bank of Australia | 4,136,856 | 4.6% |
| ANZ | Australia and New Zealand Banking Group | 3,722,974 | 4.2% |
| BHP | BHP Billiton Limited | 3,528,945 | 4.0% |
| NAB | National Australia Bank Limited | 3,459,367 | 3.9% |
| WBC | Westpac Banking Corporation | 3,343,072 | 3.8% |
| JHG | Janus Henderson Group PLC | 3,205,003 | 3.6% |
| RIO | Rio Tinto Limited | 2,968,755 | 3.3% |
| CTX | Caltex Australia Limited | 2,846,733 | 3.2% |
| WPL | Woodside Petroleum Limited | 2,728,744 | 3.1% |
| WOW | Woolworths Limited | 2,657,999 | 3.0% |

*Century Australia has an investment management agreement with MAM Pty Limited, an entity forming part of the Wilson Asset Management Group (**Wilson Asset Management**).

Investing with Wilson Asset Management

Established in 1997 by Geoff Wilson, Wilson Asset Management is an independently owned investment manager based in Sydney, Australia. Today, Wilson Asset Management employs twenty-six staff. The investment team comprises eight highly experienced professionals with more than 100 years of combined investment experience and a total focus on managing money.

Wilson Asset Management takes great pride in managing six LICs' investment portfolios and more than \$2 billion in shareholder capital for more than 55,000 retail investors. It created and continue to support Future Generation Investment Company Limited and Future Generation Global Investment Company Limited, the only companies to provide:

- Shareholders with exposure to the best Australian and global fund managers without paying management or performance fees;
- Charities with a consistent and growing stream of annual donations; and
- Fund managers with a unique opportunity to make a positive difference to Australia's future generations.

Century Australia has an investment management agreement with Wilson Asset Management. For Century Australia shareholders, that means an experienced team working on your behalf, to achieve your investment aims. Investing with Wilson Asset Management provides the following benefits:

Fully franked dividends. Wilson Asset Management's LICs have a proven track record of paying fully franked dividends.

Strong performance. Wilson Asset Management offers a strong track record of performance based on its rigorous research-driven and market-driven investment processes.

Deep diversification. Wilson Asset Management's LICs hold small positions in many companies, providing shareholders with diversified exposure to opportunities.

Risk-adjusted returns. Wilson Asset Management's flexible investment mandate allows for above average cash holdings and strong risk-adjusted returns.

Experienced experts. With more than 100 years of combined experience in the Australian equity market, Wilson Asset Management's investment team lives and breathes financial markets.

Full market access. Wilson Asset Management hold over 1,500 company meetings each year, and its knowledge of and extensive network in the market continually provides valuable intelligence and investment opportunities.

Superior structures. LICs provide a stable, closed-ended pool of capital, allowing a total focus on managing money.

Total transparency. Wilson Asset Management values shareholder engagement and its LICs adhere to strict corporate governance requirements.

Objectives and investment process

Investment objectives

The investment objectives of Century Australia are to:

- Deliver a stream of fully franked dividends;
- Provide capital growth over the medium-to-long term; and
- Preserve capital.

Investment process - focused on S&P/ASX 300 Index

Century Australia provides investors with access to Wilson Asset Management's three distinctive investment processes:

Research-driven process

This investment process involves diligent and deep research that focuses on free cash flow, return on equity and the quality of a company. Each company is carefully rated with respect to management, earnings growth potential, valuation and industry position. Under this process, the investment team will only ever invest in a security once it can identify a catalyst or event that it expects will change the market's valuation of the company.

Market-driven process

This investment process takes advantage of short-term mispricing opportunities in the Australian equity market. This part of the investment portfolio is actively traded, and as such, opportunities are derived from initial public offerings, placements, block trades, rights issues, corporate transactions (such as takeovers, mergers, schemes of arrangement, corporate spin-offs and restructures), arbitrage opportunities, LIC discount arbitrages, short-selling and trading market themes and trends.

Investment-driven process

This process requires that each of the characteristics listed below are identified in the investee companies:

- Sustainable business model;
- Track record of dividends;
- Track record of profits and positive free cashflow;
- Acceptable financial strength; and
- Return on equity.

Once all of the above characteristics have been identified in a company, the timing of its purchase will require patience and a medium-to-long-term investment horizon.

Shareholder engagement and communication

Wilson Asset Management values shareholder engagement and aims to provide total transparency. It does this regularly in many ways, including:

- Weekly Chief Investment Officer updates;
- Regular investment news and market insights;
- Monthly investment updates;
- Annual and half yearly profits announcements; and
- Semi-annual shareholder calls and briefings across all major Australian cities.

Century Australia shareholders are encouraged to use the subscription feature on the Wilson Asset Management website to receive notifications of announcements, investor updates and other important information.

Wilson Asset Management aims to provide valuable and insightful information and welcomes all feedback on how it can improve its communication and engagement with you. Please contact Wilson Asset Management's Head of Corporate Affairs, James McNamara on (02) 9247 6755 or email us at info@wilsonassetmanagement.com.au.

Thank you for your support of Century Australia.

Geoff Wilson
Chairman &
Portfolio Manager
(02) 9247 6755

Kate Thorley
Chief Executive
Officer
(02) 9247 6755
0405 115 644

Chris Stott
Chief Investment
Officer
& Portfolio Manager
(02) 9258 4906

Matthew Haupt
Portfolio Manager
(02) 9247 4910
0418 890 070

Corporate Governance Statement

As an ASX-listed company, Century Australia Investments Limited (“**Century**”) and its directors are committed to responsible and transparent financial and business practices to protect and advance shareholders’ interests. The Company’s strong corporate governance practices are based on the ASX Corporate Governance Principles and Recommendations.

The Board has adopted these ASX principles and recommendations which are complemented by the Company’s core principles of honesty and integrity. The corporate governance policies and practices adopted by the Board are outlined in Century’s Corporate Governance section on the company website at http://www.centuryaustralia.com.au/pdf/century_australia_corporate_governance.pdf.

This corporate governance statement aims to disclose in summary form as clearly as possible Century’s corporate governance policies and practices so that they can be readily understood by our shareholders and other stakeholders.

This corporate governance statement relates to the 2017 financial year and accompanies Century’s 2017 Annual Report. This corporate governance statement is dated 22 August 2017 and is approved by the Board.

Century complies with the ASX Corporate Governance Council Principles and Recommendations (3rd Edition March 2014) unless otherwise stated. The ASX Corporate Governance Council (ASX CGC) has issued eight principles and as part of these principles, made 30 recommendations. Each principle is discussed below:

Principle 1: Lay solid foundations for management and oversight

Role of the Board and Management

The Board’s primary role is the protection and enhancement of long-term shareholder value. To fulfill this role the Board seeks to address:

- (a) the prudential control of the Company’s operations;
- (b) the resourcing, review and monitoring of outsourced service providers engaged by the Company;
- (c) the timeliness and accuracy of reporting to shareholders; and
- (d) the determination of the Company’s broad objectives.

The Company’s operations are conducted through MAM Pty Limited a member of the Wilson Asset Management (Investment Manager), BNP Paribas (Custodian) and Link Fund Solutions Limited (Accounting and Administration Manager). These entities incorporate the specialist wholesale investment and administration personnel who undertake the Company’s executive operations. The Company has contracted with MAM Pty Limited and Link Fund Solutions Pty Limited to provide all investment management and accounting and administration services.

The Company’s executive management arrangements have been structured to provide investors with a cost efficient investment vehicle and access to a significant depth of professional resources

Further details of the Board’s role and responsibilities are contained in the Board Charter which is posted on the Company’s website (www.centuryaustralia.com.au).

Principle 1: Lay solid foundations for management and oversight (continued)

Candidates for election or re-election as a director

Recommendation 1.2 requires a listed entity to undertake appropriate checks before appointing a person or putting forward a candidate for election as a Director. All appropriate checks will be undertaken by the entity for new and re-elected candidates. In addition, the Board will continue to provide security holders with all material information in its possession relevant to any decision to elect or re-elect a Director by inclusion in any Notice of Meeting.

Written agreements with directors

The Company complies with Recommendation 1.3 having signed letters of appointment for current Directors setting out the terms of their appointment.

Company Secretary

Ms Sophia Gartzonis is appointed Company Secretary. In accordance with Recommendation 1.4 she is directly accountable to all Board members, facilitates all Board meetings and papers, acts in an advisory manner for governance matters and contactable via Link Fund Solutions Limited.

Diversity Policy

The Company does not employ staff directly, therefore, the Board do not consider a diversity policy incorporating gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity is relevant. The Board recognise that diversity of gender and background are two important criteria take these into account in developing Board succession plans and appointment. However, other selection criteria, in particular business acumen and industry experience, are also fundamentally important. When a vacancy arises, the Board will identify candidates with appropriate expertise and experience and appoint the most suitable person taking into account the need for diversity in gender, age, ethnicity and cultural background. Given the Company has no employees, consideration of diversity does not extend beyond the Board and further disclosures in relation to policies are not considered relevant. The Company considers the impact of size in the practical implementation of its diversity policy, and accordingly does not believe it would be practical to set measurable objectives to achieve diversity.

Performance evaluation of the Board, Directors and External Management

Individual directors are subject to continuous review by the Chairman. A performance evaluation of the Board and all Board members is conducted annually. The Chairman reports on the general outcome of the meetings to the Board annually. Directors whose performance is unsatisfactory are asked to retire. In respect of the current financial year all assessments under this process have taken place in accordance with the process disclosed.

The Chair of the Audit Committee is responsible for review of the Chairman on an annual basis and reporting to the full Board.

In addition, the performance of service providers (MAM Pty Limited and Link Fund Solutions Limited) is the subject of continuous oversight by the Chairman and the Board as a whole. A performance review of service providers was conducted by the Board as a whole in accordance with the process disclosed.

Recommendation 1.7 requires the disclosure of the process for evaluating the performance of senior executives. The Company does not comply with this recommendation as there are no senior executive officers of the Company.

Principle 2: Structure the board to add value

Composition of the Century Board

The names of the current Directors of the Company in office at the date of this statement are set out in the Directors' report on page 18.

The skills, experience and expertise relevant to the position of each director in office at the date of the Annual Report is included in the Directors' Report on page 20-21.

The composition of the Board is determined using the following principles:

- A minimum of three directors;
- An independent, non-executive director as Chairman; and
- A majority of independent non-executive directors.

Board skills matrix

The Board seeks to ensure as a minimum the Board's skills matrix includes:

- (a) Each Director must be capable of making a valuable contribution to the effective and prudential operation of the Company and Board deliberations and processes;
- (b) Directors must collectively have the necessary skills, knowledge and experience to understand the risks of the Company, including its legal and prudential obligations and to ensure that the Company is managed in an appropriate way taking into account these risks;
- (c) All Directors must be able to read and understand fundamental financial statements and if required, may seek guidance from an independent professional advisor who is appropriately qualified in the area of finance and accounting.

The Board believes it has adequate representation of the necessary skills and requirements noted above.

The following table summarises the key skills and experience of the Directors:

| Skills and experience | No. of Directors |
|--|------------------|
| Financial acumen (experience in financial accounting and reporting including the ability to probe the adequacies of financial risk and controls) | 5 |
| Expert experience in portfolio management | 4 |
| General management exposure to domestic and international operations | 5 |
| Experience as a non-executive director of at least one other listed entity | 5 |
| Held CEO of similar position in a non-financial organisation | 2 |
| Regulatory experience and oversight | 1 |

Length of service

The term in office held by each director in office at the date of this report is as follows:

| Name | Term in office |
|-----------------|------------------|
| Robert Turner | 13 years |
| Ross Finley | 11 years |
| Stephen Menzies | 11 years |
| Geoffrey Wilson | 3 years |
| Chris Stott | Less than 1 year |

Principle 2: Structure the board to add value (continued)

Directors have a usual term of two years, and a maximum term of 3 years, before retiring by rotation and standing for re-election. The Board assesses annually the term of office of all Directors in particular those who have served on the Board for longer than 10 years to ensure the length of service does not compromise their independence. Although a Director has served in office for over 10 years this is not considered to impair their independence where all other criteria are met and independence where Directors are not associated with the Investment Manager or its related entities.

As the Company is unlikely to be wound up, the Board has commenced a process of review and may appoint an additional director as a casual during the year as a part of orderly succession planning.

Nomination Committee

ASX Recommendation 2.1 states the board should establish a Nomination Committee. Due to the size of the Company it has not established a formal Nomination Committee and the functions of the Nomination Committee are undertaken by the full Board. The Board's target is to ensure that (as a minimum) Directors collectively have investment accounting, general business experience and shareholder representation.

Independence

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Century Australia Investments Limited are considered to be independent:

| Name | Position |
|-----------------|--|
| Robert Turner | Chairman, Independent Non-Executive Director |
| Ross Finley | Independent Non-Executive Director |
| Stephen Menzies | Independent Non-Executive Director |

Geoffrey Wilson and Chris Stott are not considered independent directors.

An independent director is considered to be a director:

- (a) who is not a member of management;
- (b) who has not within the last three years been employed in an executive capacity by the Company or been a principal of a professional adviser or consultant to the Company;
- (c) is not a significant supplier to the Company;
- (d) is not a substantial security holder of the company or an officer of, or otherwise associated with, a substantial security holder of the company;
- (e) has no material contractual relationship with the Company other than as a director; and
- (f) is free from any interest or business or other relationship which could materially interfere with the director's ability to act in the best interests of the Company; and
- (g) has been a director of the company for such a period of time that their independence has not been compromised.

In the context of director independence, "materiality" is considered from both the company and individual director's perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the directors in question to shape the direction of the company's loyalty.

In relation to Mr Turner, Mr Menzies and Mr Finley, whilst they have been directors for more than 10 years the Board has carefully considered the independence of these directors as required by ASX CGC Recommendation 2.3. The Board has assessed that there is nothing that might interfere or be reasonably seen to interfere with their capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of Century and its shareholders as a whole. In particular, there is no reason to consider that they have become too close to the investment manager and the Accounting and Administration Manager to be considered not independent. The Board also appreciates the deep understanding they have of Century and its business.

Principle 2: Structure the board to add value (continued)

Recommendation 2.4 requires that “A majority of the Board should be independent directors”. The Company complies with this recommendation as the Board is 60% independent.

Recommendation 2.5 requires that “The Chair should be an independent director”. The Company complies with this recommendation.

Recommendation 2.5 requires that “the role of the Chair and Chief Executive Officer of the Company should not be exercised by the same individual”. There is no Chief Executive Officer of the Company; however, the Company Secretary performs the Chief Executive functions.

Induction and professional development

Recommendation 2.6 states the listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their roles as directors effectively. Due to the small size of the Board an induction program or formal professional development program is not considered necessary for new and existing directors, the Chairman is best suited to address any queries a new Director may present on induction to the Board. Directors are expected to maintain their industry knowledge, however, may also enquire of the Investment Manager, Administration Manager and External Auditors as is necessary should technical queries arise.

Each director has the right of access to all relevant Company information and to the Company’s service providers and subject to prior consultation with the Chairman, may seek independent professional advice at the Company’s expense. A copy of advice received by the director is made available to all other members of the Board.

The Board schedules a minimum of four meetings each year plus any other meetings as and when necessitated by the Company’s operations. The agenda for meetings is prepared through the input of the Chairman and the Company Secretary. Standing items include matters of Compliance and Reporting, Financials, Shareholder Communications and Investment Strategy and Outcomes. Submissions are circulated in advance and Board and Committee papers are generally provided to Directors at least 5 days prior to the relevant meeting.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

The Board expects all executive and non-executive directors to act professionally in their conduct and with the utmost integrity and objectivity. All executive and non-executive directors must comply with the Company’s Code of Conduct and Ethics. The Directors in acting professionally in their conduct means that they will act with high standards of honesty, integrity and fairness, avoiding conflicts of interest, acting lawfully and ensuring confidential information is dealt with in accordance with the Company’s Privacy Policy.

The Board monitors its outsourced services provider’s compliance with the Company’s Code of Conduct and Ethics, which is accessible to outside parties via the Company’s website (www.centuryaustralia.com.au).

Securities Trading Policy

The Company encourages directors to have a personal financial interest in Century Australia Investments Limited, by acquiring and holding shares on a long-term basis.

Short term trading in Century Australia Investments Limited’s shares by directors is not permitted.

The Board has adopted the following policies concerning dealing in Century Australia Investments Limited’s shares by Directors.

- Insider trading laws prohibit Directors and their associates from dealing in the Company’s shares whilst in possession of price sensitive information that is not generally available.

- As the Company is a listed investment company announcing its Investment Update and Net Tangible Assets monthly on the ASX, the Board believes the shareholders are generally fully informed. A KMP must not deal in shares of the Company if they are in possession of price sensitive or 'inside information'. The Board has also nominated that a KMP may not deal in shares of the Company the 5 business days before the announcement of a dividend (or any other capital management initiative that might have a material impact on the share price), the half year or full year results of the Company.

The Company may from time to time designate further periods of time as a prohibited period under this Policy.

Full details of the Company's Trading and Insider Trading policies can be found in the Corporate Governance policies located on the Company's corporate website.

Principle 4: Safeguard integrity in financial reporting

Audit & Risk Committee

The Company has an Audit Committee with a documented Charter, approved by the Board. All members must be non-executive directors and the majority be independent directors. The Audit Committee Chairman is not the Chairman of the Board. The Committee is responsible for considering the effectiveness of the systems and standards of internal control, financial reporting and risk management and any other matter at the request of the Board. The Audit Committee will meet at least two times per year.

The Audit Committee may have in attendance at their meeting such members of outsourced service providers as may be deemed necessary to provide information and explanations. The external auditors attend meetings by invitation to report to the Committee.

The members of the Audit Committee during the year were:

- Stephen Menzies (Chairman)
- Ross Finley
- Robert Turner
- Geoffrey Wilson

The responsibilities of the Audit Committee are to ensure that:

- (a) Relevant, reliable and timely information is available to the Board to monitor the performance of the Company;
- (b) External reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs;
- (c) Recommendations for change to the Annual Report and other external reporting;
- (d) Management processes support external reporting in a format which facilitates ease of understanding by shareholders and institutions;
- (e) The external audit arrangements are adequate to ensure the maintenance of an effective and efficient external audit. This involves:
 - Reviewing the terms of engagement, scope and auditor's independence;
 - Recommendations as to the appointment, removal and remuneration of an auditor;
 - Reviewing the provision of any non-audit services provided by the external auditor, ensuring it does not adversely impact on audit independence;
- (f) Review the company's risk profile and assess the operation of the company's internal control system (via an annual risk management review).
- (g) Compliance with legal and regulatory requirements including requirements for the preparation and presentation of financial statements and tax reporting,
- (h) Compliance by Link Fund Solutions Limited with their provision of agreed services.
- (i) The Audit Committee also makes recommendations on the entity's insurance program having regard to the entity's business and the insurable risks associated with its business. In respect of the current financial year no additional recommendations were made to the Board regarding the entity's insurance.

Principle 4: Safeguard integrity in financial reporting (continued)

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to page 21 of the Directors' Report.

Financial Statements Declaration

It is a requirement of the Board that Link Fund Solutions Limited sign-off on the content of the financial statements, and that in their opinion, the financial records of the entity have been properly maintained, that the financial statements comply with the appropriate accounting standards and these statements represent a true and fair view of the Company's operations and financial position of the Company.

Link Fund Solutions Pty Limited provides a declaration to the Board twice annually, to certify that the Company's financial statements and notes present a true and fair view, in all material respects, of the Company's financial condition and operational results and that they have been prepared and maintained in accordance with relevant

Accounting Standards and the *Corporations Act 2001*. In respect of the current financial year all necessary declarations have been submitted to the Board.

In addition, Link Fund Solutions Limited (accounting and Company Secretarial) confirms in writing to the Board that the declaration provided above is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks and all material business risks have been effectively managed.

External auditor

The Board as a whole monitor the performance of the annual & half-yearly audit performed by the External Auditor. If the Board consider that the external auditor of the Company should be changed, a special resolution will be put to shareholder vote at the following Annual General Meeting. External audit engagement partners are required by legislation to rotate their appointment every five years. The external auditor is required to attend the Annual General Meeting and is available to answer shareholder questions.

Principle 5: Make timely and balanced disclosures

The Company will operate under the continuous disclosure requirements of the ASX Listing Rules as set out in its Disclosure Policy.

The Company will ensure compliance with this Charter and will disclose:

- price sensitive information to the ASX as soon as it becomes aware of that information;
- ensure that the information is not false, misleading or deceptive so as to avoid creating what would constitute a false market; and
- ensure that the information is disclosed clearly (expressed objectively), accurately and is complete.

In doing so the Company will ensure compliance with Listing Rule 15.7 that requires an entity not to release information to anyone until it has given the information to the ASX and has received an acknowledgement from the ASX that the information has been released to the market.

The Company Secretary is responsible for ensuring Century Australia Investments Limited complies with its continuous disclosure obligations.

All relevant staff of Investment Manager and Link Fund Solutions Ltd are made aware of these obligations and are required to report any price sensitive information to the Company Secretary immediately after they become aware of it. The Company Secretary in consultation with the Chairman will decide whether the information should be disclosed to the ASX.

Where possible, all continuous disclosure releases to the ASX are approved by the Board. The monthly net asset backing per share is prepared and approved by Link Fund Solutions. Where time does not permit approval by the Board, the Chairman of directors must approve the release.

All significant lodgements with the ASX are available on the Company's website at www.centuryaustralia.com.au via a direct link to the ASX website.

Principle 5: Make timely and balanced disclosures (continued)

The Company has also adopted the following policies which can be located in the Company's Corporate Governance policy document:

- No comments policy
- Responding to analysts reports and forecasts
- Trading halts
- Advisors
- Contravention of policy

Principle 6: Respect the rights of shareholders

Communications with Shareholders

The Company seeks to keep its shareholders fully informed on all matters that affect their investment.

Century Australia Investments Limited's internet website can be accessed at www.centuryaustralia.com.au. The objective of the website is to provide shareholders and potential investors with information that will assist them to assess the Company's performance.

All announcements to the ASX are available from the website via a direct link to the ASX website. These include:

- Monthly Net Asset Backing per share (including detailed commentary from the Investment Manager on the portfolio and markets);
- Half Year Report;
- Annual Report;
- Notice of Annual General Meeting and Explanatory Memorandum; and
- The Chairman's Address to the Annual General Meeting.

In addition:

- A hard copy Annual Report will be mailed to shareholders who have requested to receive one at the close of the financial year. An electronic version of the Annual Report will be available on the Company's website http://centuryaustralia.com.au/century_australia_annual_reports.htm.
- Net asset backing per share is released to the ASX by the 14th day following each month-end and sent via email to shareholders who register their interest.

Should shareholders be unable to obtain this information by electronic means a hard-copy of the documents requested can be obtained by contacting the Link Fund Solutions on +61 2 8280 7100 or LFS_century_acctg@linkgroup.com.au.

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and are able to receive the annual and interim financial statements if requested. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of Century Australia Investments Limited, to lodge questions to be responded by the Board, and are able to appoint proxies.

Shareholders general queries outside of the Annual General Meeting are welcomed by contacting Link Fund Solutions Pty Limited on +61 2 8280 7100 or by email LFS_century_acctg@linkgroup.com.au. Any shareholding related enquiries contact the Share Registrar, Link Market Services Limited on 1300 554 474 or by email registrars@linkmarketservices.com.au.

Century considers shareholder meetings, particularly the AGM, as an important forum for two-way communication between the Company and the shareholders. All shareholders have the opportunity to provide questions or comments ahead of the AGM. Where appropriate, these are read out at the AGM and then responded to at the AGM or a transcript of the question and written answer is provided at the AGM. This provides an opportunity for shareholders who are not able to attend the AGM, the opportunity to exercise their right to ask

Principle 6: Respect the rights of shareholders (continued)

questions about, or make comments on, the management of Century. In addition, the Company Secretary is available to take enquiries from shareholders and engage with the board in responding to enquiries and questions where necessary.

Principle 7: Recognise and manage risk

Risk Management Framework

The Board is responsible for ensuring the existence of an efficient and effective system of internal control. It is also responsible for ensuring that risks, and opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board.

Audit and Risk Committee

The Board has delegated the role of reviewing the risk profile and reporting on the operation of the internal control system to the Audit Committee.

The Board identifies the following economic sustainability¹ risks as having the potential to significantly or materially impact the Company's performance (a) administrative risks including operational, tax, compliance and financial reporting (b) market related risks.

Administrative Risks

The Board is primarily responsible for recognising and managing administrative risks including (a) operational, (b) tax (c) compliance and (d) financial reporting. The Company has outsourced its administrative functions to service providers, BNP Paribas (Custody), Pitcher Partners Sydney (Tax), Link Fund Solutions Limited (accounting and Company Secretarial) and MAM Pty Limited (Investment Management) accordingly risk issues associated with these activities are handled in accordance with the service providers policies and procedures. The Board review, on an annual basis, the procedures and policies of outsourced service providers via direct discussion with the board and/or review of audit reports on their policies and procedures as well as obtaining certificates of currency of insurance cover which each service provider has in place.

Any deficiencies identified in internal control policies or the financial affairs of the Company by the external auditor are tabled for discussion at Audit Committee meetings.

In accordance with section 295A of the *Corporations Act 2001*, the Administration Manager Link Fund Solutions Limited will confirm half-yearly in writing to the Board that in all material respects:

- The financial records of the Company have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
- The financial statements and notes comply with the Accounting Standards; and
- The financial statements and notes give a true and fair view.

In addition, Link Fund Solutions will confirm half-yearly in writing to the Board that the declaration provided above:

- is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks; and

¹ The term "economic sustainability risks" is defined as the ability of a listed entity to continue operating at a particular level of economic production over the long term (ASX Corporate Governance Principles and Recommendations 3rd Edition, ASX Corporate Governance Council).

Principle 7: Recognise and manage risk (continued)

- all material business risks have been effectively managed.

Also, a representative from Link Fund Solutions is also invited to meetings of Directors.

Market Risks

The Company seeks to reduce investment risk by a policy of diversification of investments across industries and companies operating in various sectors of the market. The investment manager, is required to act in accordance with the Board approved investment management agreement and reports to the Board quarterly on the portfolio's performance and material actions of the investment manager during that month. In addition, the Investment Manager reports quarterly that it has invested the Company's assets in accordance with the approved investment mandate and complied with the Investment Management Agreement requirements during the reporting period. In respect of the current financial year all necessary declarations have been submitted to the Board. In assessing the Company's risk tolerance level the Board considers any instance which materially affects the Company's monthly Net Tangible Asset backing announcement released to the ASX.

The Investment Manager monitors its compliance with respect to all relevant regulatory requirements. These compliance procedures are documented and are subject to regular monitoring and an independent auditor's opinion at financial year end. The Independent auditor's opinion at financial year end is provided to Century when completed. Changes to the Investment Manager's compliance procedures are notified to Century's Board and remedial action is taken to effect changes, if necessary in procedures and practices of Century.

The Audit Committee and the Board perform a risk review on an annual basis to ensure that adequate controls are in place to mitigate risk associated with investment manager performance, market risk, fraud, transaction reporting errors, material reporting risks and compliance risk. In relation to the current reporting period ended all reviews have taken place. These reviews are scheduled to be undertaken during August each year.

Further details on market related risks are located in Note 3(a) Financial Risk Management note to the Financial Statements in the Company's latest Annual Report.

Internal Audit

The Company does not have a designated internal audit function. The Audit Committee is responsible for evaluating and continually improving the effectiveness of its risk management and internal control.

Link Fund Solutions Limited are audited for compliance with Auditing and Assurance Standards Board GS007 annually and semi-annually, respectively. The portfolio valuation report from BNP at 30 June is also audited by an external auditor.

Environmental and Social Sustainability Risks

As a Listed Investment Company ("LIC"), the Company has no direct material exposure to environmental or social sustainability risks. There is potential for indirect material exposure to environmental, social and economic sustainability risks through the entities in which the Company invests. Overall risk within the investment portfolio is part of the Company's investment process and is reviewed regularly by the Investment Manager. The Company does not consider it has any material exposure to environmental or social sustainability risks under Recommendation 7.4.

Principle 8: Remunerate fairly and responsibly

Remuneration Committee

ASX Recommendation 8.1 states the board should establish a Remuneration Committee. Due to the size of the Company it has not established a formal Remuneration Committee and the functions of the Remuneration Committee are undertaken by the full Board. The Board reviews the Remuneration Report to be included in the Annual Report to shareholders each year.

Non-executive directors are remunerated by way of cash and superannuation contributions within the aggregate amount of \$120,000 (inclusive of superannuation). All non-Executive Directors payments are inclusive of committee fees. Under the ASX Listing Rules, the maximum fees paid to non-executive Directors may not be increased without approval from the Company at a general meeting. Directors will seek approval from time to time as appropriate

Remuneration Policies and Practices

Recommendation 8.2 states that the Company should “clearly distinguish the structure of non-executive directors’ remuneration from that of executive directors and senior executives”. The Company does not comply with this recommendation as there are no executive directors or senior executives.

As previously noted, the executive function of the Company has been outsourced to Link Fund Solutions (accounting and administration) and MAM Pty Limited (investment management).

Century Australia Investments Limited has a contractual agreement with Link Fund Solutions Limited which is responsible for providing accounting and administration services for a fee charged on a monthly basis.

Century Australia Investments Limited has a contractual agreement with MAM Pty Limited which provides investment management services for a fee charged as a percentage of the portfolio value on a monthly basis.

The Company does not comply with Recommendation 8.3 as it does not have an equity-based remuneration scheme.

External Management

Principle 8 provides alternatives to Recommendations 8.1, 8.2 and 8.3 for externally managed entities which should disclose a summary of any management agreement terms relating to management fees or the equivalent, including performance fees. While the Company is not strictly an externally managed entity per the Recommendations definition which refers to having a Responsible Entity, the Company has provided details of the management fee paid to the Investment Manager at page 53.

Directors' Report

Your Directors present their report on the Company for the year ended 30 June 2017.

Directors

The following persons held office as Directors of Century Australia Investments Limited during the financial year:

Robert Turner (Chairman)
 Stephen Menzies (Non-Executive Director)
 Ross Finley (Non-Executive Director)
 Geoffrey Wilson (Non-Executive Director)
 Christopher Stott (Non-Executive Director) (appointed 18 April 2017)

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

Principal activities

During the year, the principal activity of the Company was investment in securities listed on the Australian Stock Exchange. The Company's investment objectives are to deliver a stream of fully franked dividends, provide capital growth over the medium to long term and preserve capital.

There was no significant change in the nature of the activity of the Company during the year.

Dividends

Dividends declared and/or paid to members in respect of the corresponding financial year were as follows:

| | Dividend Rate | Total Amount \$'000 | Date of Payment | % Franked |
|---------------------------|--------------------------|--------------------------------|----------------------------|------------------|
| 2017 | | | | |
| Ordinary shares - special | 1.10 cps | 900 | 10/05/2017 | 100* |
| Ordinary shares - interim | 1.60 cps | 1,310 | 10/05/2017 | 100* |
| 2016 | | | | |
| Ordinary shares - final | 1.60 cps | 1,310 | 30/09/2016 | 100* |
| Ordinary shares - interim | 1.90 cps | 1,555 | 07/03/2016 | 100** |

* Franked at the maximum corporate tax rate of 27.5%

** Franked at the maximum corporate tax rate of 30%

The special dividend was paid on 10 May 2017 and represented most of the distributable profits of the Company in the period to end April 2017, as a result of which the Board has determined not to pay a further dividend to shareholders for the short period to 30 June 2017.

Shareholders who participated in the buy-back during the year also received an unfranked dividend component of 2.91 cents per share (as part of the total buy-back consideration).

Review of operations

The Company delivered a profit after tax of \$3.6 million (FY2016: \$5.6 million) for the 12-month period ended 30 June 2017. Total comprehensive income for the period increased by 542.6% to \$8.8 million, reflecting the sound portfolio performance over the period. The investment portfolio increased 14.8% in 2017, outperforming the S&P/ASX 300 Accumulation Index by 1.0%.

The NTA before tax of the Company increased from 86.1 to 94.1 cents per share, after the payment of a total of 4.3 cents in dividends during the year. The Company's net assets increased from \$77.3 million to \$94.2 million as at 30 June 2017. The increase is reflective of the investment portfolio performance during the year, as well as the growth in assets from the capital raising that was completed in June 2017.

The Board has determined that a five-to-seven year time horizon is appropriate to recognise off balance sheet deferred tax assets. Once reinstated, the off balance sheet deferred tax assets would increase the net assets in the Statement of Financial Position and also increase net profit after tax for the year in the Statement of Comprehensive Income. The Board has taken a view on expected equity market returns over the next five years and, on that basis, has written back \$1 million of the deferred tax assets.

Earnings per share (EPS)

| | 2017 | 2016 |
|--|------|------|
| Basic and diluted earnings (cents per share) | 4.35 | 6.83 |

The decrease in EPS is primarily due to reinstatement of previously written off deferred tax assets of \$1 million in FY2017, compared to \$3 million in the prior year.

Significant changes in the state of affairs

On 18 April 2017, the shareholders of the Company approved a restructure of the Company.

As a result of this, on 2 June 2017, 52,200,282 new shares were issued at an issue price of 96 cents per share. On the same day, a total of 39,797,196 shares were bought back at the buy-back price of 93.81 cents per share (broken down as capital price of 90.90 cents per share and unfranked dividend component of 2.91 cents per share).

On 19 May 2017, the Federal Government enacted laws reducing the corporate tax rate to 27.5% for companies with turnover below \$10 million in the financial year ended 30 June 2017, applicable retrospectively from 1 July 2016. This legislation also introduced a new formula for determining the maximum franking credit entitlement for a frankable distribution, which is generally based on the Company's corporate tax rate for the prior income year. Century Australia's turnover was under the \$10 million threshold and therefore the Company has a reduced corporate tax rate of 27.5% for the year ended 30 June 2017 (previously 30%). As a result, revised dividend statements were sent out to investors showing the reduced franking credits for dividends paid by the Company during the 2017 financial year.

Other than the matters noted above, there were no other significant changes in the state of affairs of the Company during the year.

Matters subsequent to the end of the financial year

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Environmental regulation

The Company is not affected by any significant environmental regulation in respect of its operations.

Information on directors

Robert Turner Independent Non-Executive Director and Chairman

B.Com, FAICD
Appointed 10 February 2004

Mr Robert Turner is Chairman of the Company and also serves on the Audit Committee. Mr Turner has a strong finance and marketing background and over 30 years of experience in corporate management, both in Australia and overseas. He has experience in the financial services industry and has held general management positions in the services and manufacturing industries. Mr Turner was the Managing Director of IOOF Limited, an ASX listed company, from 1996 to 2004 and also served as a Director of IWL Limited, an ASX listed company, for three years until November 2007.

Stephen Menzies Independent Non-Executive Director

B.Econ, LLB, LLM London
Appointed 16 January 2006

Mr Stephen Menzies is a corporate lawyer with a broad policy and regulatory background. He was previously a partner of Ashurst and specialised in securities issues, financial product development, funds management, and corporate finance. Mr Menzies was a National Director for Enforcement at the Australia Securities Commission. Stephen brings a wealth of experience in corporate structuring and corporate finance. During the past three years Mr Menzies has served as a Director of Platinum Asset Management Limited, Freedom Insurance Group Limited and as Chairman of the Centre for Quantum Computation & Communication Technology.

Ross Finley Independent Non-Executive Director

B.Com NSW
Appointed 11 September 2006

Mr Ross Finley serves on the Board of Directors and on the Audit Committee. Mr Finley has over 40 years' experience in the Australian Financial Markets with a focus on Australian Equities and Australian Property Management. He was employed at Bankers Trust Australia from 1981 to 1996. He is also currently a director of Ironbark Capital Limited, an absolute return investment company.

Geoffrey Wilson Non-Executive Director

B Sc GMQ FAICD FFINSIA
Appointed 22 September 2014

Geoff Wilson has over 37 years' direct experience in investment markets having held a variety of senior investment roles in Australia, the UK and the US. Geoff founded Wilson Asset Management in 1997. Geoff created Australia's first listed philanthropic wealth creation vehicles, Future Generation Investment Company and Future Generation Global Investment Company. Geoff holds a Bachelor of Science, a Graduate Management Qualification and is a Fellow of the Financial Services Institute of Australia and the Australian Institute of Company Directors (AICD). Geoff Wilson is currently Chairman of WAM Capital Limited (appointed March 1999), WAM Research Limited (appointed June 2003), WAM Active Limited (appointed July 2007), WAM Leaders Limited (appointed March 2016), WAM Microcap Limited (appointed March 2017) and the Australian Stockbrokers Foundation. He is the founder and a Director of Future Generation Global Investment Company Limited (appointed May 2015) and Future Generation Investment Company Limited (appointed July 2014) and a Director of Australian Leaders Fund Limited (appointed October 2003), Clime Capital Limited (appointed September 2003), Global Value Fund Limited (appointed April 2014), Incubator Capital Limited (appointed February 2000), Sporting Chance Cancer Foundation, Australian Fund Managers Foundation, Odyssey House McGrath Foundation, Australian Children's Music Foundation and he is a Member of the Second Bite NSW Advisory Committee. He is also founder and Director of investment management companies Wilson Asset Management (International) Pty Limited and MAM Pty Limited.

Information on directors (continued)

Christopher Stott Non-Executive Director

B Bus Grad Dip App Fin MAICD MFINSIA
Appointed 18 April 2017

Chris Stott has more than 14 years' experience in the funds management industry. Chris is the Chief Investment Officer and Portfolio Manager of Wilson Asset Management, having joined the company in 2006. Chris was previously employed with Challenger Financial Services Group in various research roles specialising in Australian equities. He holds a Bachelor of Business and a Graduate Diploma in Applied Finance and Investment. He is a member of the Australian Institute of Company Directors and the Financial Services Institute of Australasia. Chris Stott is a Director of WAM Capital (appointed May 2015), WAM Active Limited (appointed July 2014), WAM Research (appointed August 2014), WAM Leaders Limited (appointed March 2016) and WAM Microcap Limited (appointed March 2017).

Company secretary

Ms Sophia Gartzonis of Link Fund Solutions Pty Limited (formerly White Outsourcing Pty Limited) was appointed as Company Secretary effective 9 December 2016 following the resignation of Mr Matthew McShane of Link Fund Solutions Pty Limited.

Ms Gartzonis has more than 15 years' experience in the financial services industry covering financial accounting and corporate governance. She has a Bachelor's degree in Commerce and is a member of the Chartered Accountants Australia and New Zealand.

Meetings of directors

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2017, and the numbers of meetings attended by each Director were:

| | Full meetings of directors | | Meetings of committees | |
|-------------------|----------------------------|----|------------------------|---|
| | | | Audit | |
| | A | B | A | B |
| Robert Turner | 8 | 8 | 2 | 2 |
| Stephen Menzies | 8 | 8 | 2 | 2 |
| Ross Finley | 8 | 8 | 2 | 2 |
| Geoffrey Wilson | 6 | 6* | 1 | 2 |
| Christopher Stott | 2 | 2 | 0 | 0 |

A = Number of meetings attended

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

* Mr Geoffrey Wilson was excluded from 2 board meetings due to his material interest in the transaction discussed in the meetings.

Members of the audit committee are detailed on page 12 in the Corporate Governance Statement.

Remuneration report (audited)

This report details the nature and amount of remuneration for each Director and Key Management Personnel of Century Australia Investments Limited in accordance with the *Corporations Act 2001*.

Directors and key management personnel disclosed in this report

- Non-executive Directors - see pages 20 to 21
- Other key management personnel - none

Remuneration report (audited) (continued)

Remuneration policy and framework

The Board from time to time determines remuneration of Directors within the maximum amount approved by shareholders. The current approved maximum remuneration paid to Directors is \$120,000 per annum (actual 2017: \$114,600, 2016: \$120,000).

In September 2014, the Board resolved that a directors' fee of \$27,000 per annum would apply to all directors with the exception of a fee of \$39,000 per annum for the Chairman, in recognition of additional duties. This remuneration excludes any additional fee for any service based agreement which may be agreed upon from time to time and further excludes any reimbursement of out-of-pocket expenses.

As disclosed in the Prospectus released in the ASX on 19 April 2017, Mr Geoffrey Wilson and Mr Christopher Stott (appointed 18 April 2017) will not be remunerated for their services from 18 April 2017, the date of appointment of the new investment manager.

Under the ASX Listing Rules, the maximum fees paid to non-executive Directors may not be increased without approval from the Company at a general meeting. Directors will seek approval from time to time as appropriate. Entitled Directors receive a superannuation guarantee contribution required by the government, which was 9.5% for the year ended 30 June 2017, and do not receive any retirement benefits. All remuneration paid to Directors is valued at the cost to the Company and expensed. At present, no employee share or option arrangements are in existence for Century Australia Investments Limited's Directors. As the Company does not pay performance based fees to the Directors, nor provide share or option schemes to Directors, remuneration is not explicitly linked to the Company's performance.

Notwithstanding this, Board members are subject to ongoing performance monitoring and annual performance reviews.

The Company received 82% of votes "for" its remuneration report for the 2016 Financial Year. The Company did not receive any specific feedback at the 2016 Annual General Meeting on its Remuneration Report.

Details of remuneration

The following table shows details of the remuneration expense recognised for the Company's key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

| 2017 | Short-term employee benefits Cash salary and fees \$ | Post- employment benefits Super- annuation \$ | Total \$ |
|--|--|--|----------------|
| Name | | | |
| <i>Non-executive Directors</i> | | | |
| R Turner | 6,500 | 32,500 | 39,000 |
| S Menzies | 21,600 | 5,400 | 27,000 |
| R Finley | 24,657 | 2,343 | 27,000 |
| G Wilson | 19,726 | 1,874 | 21,600 |
| C Stott (appointed 18 April 2017) | - | - | - |
| Sub-total non-executive directors | 72,483 | 42,117 | 114,600 |
| Total key management personnel compensation | 72,483 | 42,117 | 114,600 |

Century Australia Investments Limited
Directors' Report
For the year ended 30 June 2017
(continued)

Remuneration report (audited) (continued)

Details of remuneration (continued)

| 2016 | Short-term employee benefits Cash salary and fees \$ | Post- employment benefits Super- annuation \$ | Total \$ |
|--|--|--|----------------|
| Name | | | |
| Non-executive Directors | | | |
| R Turner | 6,500 | 32,500 | 39,000 |
| S Menzies | 27,000 | - | 27,000 |
| R Finley | 24,657 | 2,343 | 27,000 |
| G Wilson | 24,657 | 2,343 | 27,000 |
| Sub-total non-executive directors | 82,814 | 37,186 | 120,000 |
| | | | |
| Total key management personnel compensation | 82,814 | 37,186 | 120,000 |

A director, Stephen Menzies, has provided consultancy services to the Company during the financial year ended 30 June 2017 in relation to the buy-back, capital raising and restructure of the Company. Total consultancy fees paid to Mr Menzies recognised as part of cost of issued capital in equity was \$38,500.

Accounting and company secretarial duties are outsourced to Link Fund Solutions Pty Limited (formerly White Outsourcing Pty Limited) (LFS). Mr Matthew McShane (resigned as Company Secretary of Century Australia Investments Limited on 9 December 2016) and Ms Sophia Gartzonis is a Manager of LFS which received fees net of reduced input tax credits of \$110,225 during the year (2016: \$69,218) for the services rendered pursuant to an Administrative Services Agreement entered into by the Company. Neither Mr McShane nor Ms Gartzonis received any fees as an individual. LFS is remunerated in accordance with the Service Level Agreement dated 27 February 2007. The agreement has no fixed term.

(a) Equity instrument disclosures relating to key management personnel

(i) Share holdings

The numbers of shares in the Company held during the financial year by each Director of Century Australia Investments Limited and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period (2016: Nil) as compensation.

| 2017 | Balance at the start of the year | Net movement | Other changes during the year | Balance at end of the year |
|---|---|---------------------|--|---|
| Name | | | | |
| Directors of Century Australia Investments Limited | | | | |
| Ordinary shares | | | | |
| S Menzies | 34,458 | - | - | 34,458 |
| R Turner | 215,234 | - | - | 215,234 |
| R Finley | 325,000 | (250,000) | - | 75,000 |
| G Wilson | 25,182,821 | (23,099,488) | - | 2,083,333 |
| C Stott (appointed 18 April 2017) | - | 104,166 | - | 104,166 |
| | <u>25,757,513</u> | <u>(23,245,322)</u> | - | <u>2,512,191</u> |

END OF REMUNERATION REPORT

Insurance and indemnification of officers and auditors

The Company maintains Directors & Officers Insurance and has Deeds of Access and Indemnity for each Director. During the financial year, the Company paid premiums in respect of Director's and Officer's liability and for professional indemnity insurance contracts, for all Directors of the Company named in this report, as well as other officers of the Company.

This policy insures persons who are Directors or Officers of the Company against certain liabilities incurred as such by a Director or Officer, while acting in that capacity, except where the liability arises out of conduct involving lack of good faith. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Director's and Officer's liability insurance contract, as such disclosure is prohibited under the terms of the contract.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

Non-audit services were performed by the auditors during the year ended 30 June 2017.

Details of the amounts paid to the auditors and their related parties are disclosed in Note 19 to the Financial Statements.

As approved by the Board, non-audit services were performed in FY17 for the preparation of the Independent Expert Report for inclusion in the Explanatory Memorandum dated 9 March 2017 and for the preparation of an Investigating Accountant's Report for inclusion within the Prospectus dated 19 April 2017.

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 on page 25.

Rounding of amounts

The Company is of a kind referred to in ASIC Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that ASIC Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.



Robert Turner
Chairman

Sydney
30 August 2017

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Auditor's Independence Declaration To the Directors of Century Australia Investments Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Century Australia Investments Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



G S Layland
Director – Audit & Assurance

Sydney, 30 August 2017

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Century Australia Investments Limited ABN 11 107 772 761
Annual Report - 30 June 2017

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Century Australia Investments Limited
Statement of Comprehensive Income
For the year ended 30 June 2017

| | | Year ended | |
|--|-------|----------------|----------------|
| | Notes | 2017 \$'000 | 2016 \$'000 |
| Investment income from ordinary activities | | | |
| Dividends and distributions on long term investments held at the end of the year | | 2,526 | 3,121 |
| Dividends and distributions on long term investments sold during the year | | 693 | 162 |
| Interest | | 23 | 25 |
| Net gains/(losses) on financial instruments held at fair value through profit or loss | | 197 | - |
| | | 3,439 | 3,308 |
| Expenses | | | |
| Management fees | | (422) | (296) |
| Brokerage expense | | (18) | - |
| Accounting fees | | (62) | (69) |
| Share registry fees | | (47) | (23) |
| Custody fees | | (72) | (82) |
| Tax fees | | (11) | (11) |
| Legal fees | | (1) | (1) |
| Directors' fees | 18(a) | (115) | (120) |
| ASX fees | | (46) | (42) |
| Audit fees | | (48) | (49) |
| Other expenses | | (48) | (74) |
| Unrealised gains/(losses) on futures and options | | - | 68 |
| Realised (losses)/gains on futures and options | | - | (116) |
| | | (890) | (815) |
| Profit before income tax | | 2,549 | 2,493 |
| Income tax benefit | 7(b) | 1,049 | 3,099 |
| Net profit for the year | | 3,598 | 5,592 |
| Other comprehensive income/(loss) | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Net unrealised gains/(losses) on investments taken to equity | 16(a) | 3,495 | (7,776) |
| Income tax relating to unrealised losses on investments taken to equity | 7(c) | (966) | 2,332 |
| Net realised gains on investments taken to equity | 16(a) | 4,330 | 1,740 |
| Income tax relating to realised gains on investments taken to equity | 7(c) | (1,679) | (522) |
| Other comprehensive income for the year, net of tax | | 5,180 | (4,226) |
| Total comprehensive income for the year | | 8,778 | 1,366 |
| | | Cents | Cents |
| Earnings per share for profit attributable to the ordinary equity holders of the Company: | | | |
| Basic earnings per share | 24(a) | 4.35 | 6.83 |
| Diluted earnings per share | 24(a) | 4.35 | 6.83 |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Century Australia Investments Limited
Statement of Financial Position
As at 30 June 2017

| | Notes | 2017 \$'000 | 2016 \$'000 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 20,557 | 2,961 |
| Trade and other receivables | 9 | 582 | 599 |
| Financial assets at fair value through profit or loss | 6, 10 | 9,144 | - |
| Other current assets | | 23 | 20 |
| Total current assets | | <u>30,306</u> | <u>3,580</u> |
| Non-current assets | | | |
| Financial assets at fair value through other comprehensive income | 6, 11 | 60,243 | 67,295 |
| Deferred tax assets | 12 | 6,032 | 6,651 |
| Total non-current assets | | <u>66,275</u> | <u>73,946</u> |
| Total assets | | <u>96,581</u> | <u>77,526</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | 1,726 | 231 |
| Total current liabilities | | <u>1,726</u> | <u>231</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | 14 | 607 | 30 |
| Total non-current liabilities | | <u>607</u> | <u>30</u> |
| Total liabilities | | <u>2,333</u> | <u>261</u> |
| Net assets | | <u>94,248</u> | <u>77,265</u> |
| EQUITY | | | |
| Issued capital | 15 | 87,303 | 74,420 |
| Reserves | 16(a) | 7,823 | 3,723 |
| Accumulated losses | 16(b) | (878) | (878) |
| Total equity | | <u>94,248</u> | <u>77,265</u> |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Century Australia Investments Limited
Statement of Changes in Equity
For the year ended 30 June 2017

| Notes | Issued capital \$'000 | Profits reserve \$'000 | Investment reserves \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|---|-----------------------------|------------------------------|----------------------------------|---------------------------------|---------------------------|
| Balance at 1 July 2015 | 73,120 | - | 7,949 | (3,482) | - |
| Net profit for the year | - | - | - | 5,592 | - |
| Other comprehensive income for the year | | | | | |
| Net unrealised losses on investments taken to equity | - | - | (7,776) | - | (7,776) |
| Income tax on net unrealised losses on investments taken to equity | - | - | 2,332 | - | - |
| Net realised gains on investments taken to equity | - | - | 1,740 | - | - |
| Income tax on net realised gains on investments taken to equity | - | - | (522) | - | - |
| Total other comprehensive income for the year, net of tax | - | - | (4,226) | - | (7,776) |
| Total comprehensive income for the year | - | - | (4,226) | 5,592 | (7,776) |
| Transactions with owners in their capacity as owners: | | | | | |
| Shares issued on rights offer shortfall | 15 1,307 | - | - | - | 1,307 |
| Cost of issued capital | 15 (7) | - | - | - | (7) |
| Dividends provided for or paid | 17 - | - | - | (2,988) | - |
| | 1,300 | - | - | (2,988) | 1,300 |
| Balance at 30 June 2016 | 74,420 | - | 3,723 | (878) | (6,476) |
| Balance at 1 July 2016 | 74,420 | - | 3,723 | (878) | 77,265 |
| Net profit for the year | - | - | - | 3,598 | 3,598 |
| Other comprehensive income for the year | | | | | |
| Net unrealised gains on investments taken to equity | - | - | 3,495 | - | 3,495 |
| Income tax on net unrealised gains on investments taken to equity | - | - | (966) | - | (966) |
| Net realised gains on investments taken to equity | - | - | 4,330 | - | 4,330 |
| Income tax on net realised gains on investments taken to equity | - | - | (1,679) | - | (1,679) |
| Total other comprehensive income for the year, net of tax | - | - | 5,180 | - | 5,180 |
| Total comprehensive income for the year | - | - | 5,180 | 3,598 | 8,778 |
| Transactions with owners in their capacity as owners: | | | | | |
| Transfer to profits reserve | 16 - | 3,598 | - | (3,598) | - |
| Transfer from investment portfolio realised gains/losses reserve to profits reserve | 16 - | 1,080 | (1,080) | - | - |
| Shares issued from capital raising | 15 50,113 | - | - | - | 50,113 |
| Share buy-back | 15 (36,176) | (1,158) | - | - | (37,334) |
| Cost of issued capital | 15 (1,054) | - | - | - | (1,054) |
| Dividends provided for or paid | 17 - | (3,520) | - | - | (3,520) |
| | 12,883 | - | (1,080) | (3,598) | 8,205 |
| Balance at 30 June 2017 | 87,303 | - | 7,823 | (878) | 94,248 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Century Australia Investments Limited
Statement of Cash Flows
For the year ended 30 June 2017

| | | Year ended | |
|---|---|-------------------|----------------|
| | | 2017 | 2016 |
| Notes | | \$'000 | \$'000 |
| Cash flows from operating activities | | | |
| | Proceeds from sale of financial assets at fair value through profit or loss | 138 | - |
| | Payments for financial assets at fair value through profit or loss | (7,717) | (16) |
| | Interest received | 17 | 26 |
| | Dividends and trust distributions received | 3,335 | 3,230 |
| | Investment expenses paid | (824) | (869) |
| | Net cash (outflow)/inflow from operating activities | (5,051) | 2,371 |
| 22 | | | |
| Cash flows from investing activities | | | |
| | Payments for financial assets at fair value through other comprehensive income | (100,726) | (44,924) |
| | Proceeds from sale of financial assets at fair value through other comprehensive income | 115,532 | 35,279 |
| | Net cash inflow/(outflow) from investing activities | 14,806 | (9,645) |
| Cash flows from financing activities | | | |
| | Proceeds from capital raising | 50,113 | - |
| | Payments for shares bought back | (37,334) | - |
| | Proceeds from rights offer | - | 1,307 |
| | Share issue and buy-back transaction costs | (1,418) | (93) |
| | Dividends paid to the Company's shareholders | (3,520) | (2,988) |
| | Net cash inflow/(outflow) from financing activities | 7,841 | (1,774) |
| Net increase/(decrease) in cash and cash equivalents | | | |
| | Cash and cash equivalents at the beginning of the year | 2,961 | 12,009 |
| | Cash and cash equivalents at end of year | 20,557 | 2,961 |
| 8 | | | |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 General information

Century Australia Investments Limited (the "Company") is a listed public company domiciled in Australia. The address of Century Australia Investments Limited's registered office is Level 12, 680 George Street, Sydney NSW 2000. The financial statements of Century Australia Investments Limited are for the year ended 30 June 2017. The Company is primarily involved in investing in securities listed on the Australian Stock Exchange for the medium to long term.

2 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. Century Australia Investments Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue by the Directors on 30 August 2017.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of Century Australia Investments Limited also comply with IFRS as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Company

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2016 that have a material impact on the Company.

(iii) Historical cost convention

These financial statements have been prepared under the accruals basis and are based on historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss or through other comprehensive income.

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(v) *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting period and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

The Company early adopted AASB 9 (December 2010) from 1 July 2011. It has not yet applied subsequent versions of AASB 9.

| Title of standard | Nature of change | Impact | Mandatory application date/ Date of adoption by the Company |
|--|--|--|--|
| AASB 9 (2014) <i>Financial Instruments (Note that the Company previously adopted AASB 9 (December 2010), but has not subsequently adopted later versions or amendments),</i> | AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. | The Company has already adopted phase 1 of the new standard. For phase 2 the Company does not apply hedge accounting, so this is not expected to impact the Company. The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses. The Company has not yet assessed how the impairment provisions would be affected by the new rules. | Must be applied for financial years commencing on or after 1 January 2018. The Company has not yet decided when to adopt the applicable amendments issued after December 2010 for AASB 9. |

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

| Title of standard | Nature of change | Impact | Mandatory application date/ Date of adoption by the Company |
|---|---|---|--|
| AASB 15 <i>Revenue from Contracts with Customers</i> | <p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.</p> <p>The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2018), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.</p> | <p>The Company's main sources of income are interest, dividends and distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the Directors do not expect the adoption of AASB 15 to have a significant impact on the Company's accounting policies or the amounts recognised in the financial statements.</p> | <p>Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the Company: 1 July 2018.</p> |

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(i) *Investment income*

Profits and losses realised from the sale of investments and unrealised gains and losses on securities held at fair value are included in the Statement of Comprehensive Income in the year they are incurred in accordance with the policies described in Note 2(i).

(ii) *Dividends and trust distributions*

Dividends and trust distributions are recognised as revenue when the right to receive payment is established.

2 Summary of significant accounting policies (continued)

(b) Revenue recognition (continued)

(iii) Interest income

Interest income is recognised using the effective interest method.

(c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period. The Board periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

(d) Impairment of assets

Assets excluding investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses.

(e) Unsettled sales/purchases

Unsettled sales and purchases represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and for equities normally settled within two business days. A provision for impairment of unsettled amounts is recognised in the Statement of Comprehensive Income when there is objective evidence that the Company will not be able to collect all amounts due from the relevant broker. Indicators that the unsettled amount is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

2 Summary of significant accounting policies (continued)

(f) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

(i) Investments and other financial assets

Classification

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

(ii) Financial assets at fair value through other comprehensive income

The Company has designated long-term investments as "fair value through other comprehensive income". All gains and losses on long-term investments and tax thereon are presented in other comprehensive income as part of the Statement of Comprehensive Income.

(iii) Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Financial assets at amortised cost are included in trade and other receivables (Note 9) in the Statement of Financial Position.

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures its financial assets at fair value.

Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Transaction costs of financial assets carried at fair value through other comprehensive income are directly attributable to the acquisition of the financial asset and are included in the initial measurement.

2 Summary of significant accounting policies (continued)

(i) Investments and other financial assets (continued)

Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

When an instrument held at fair value through profit or loss is disposed, the cumulative gain or loss, net of tax thereon, is recognised as realised gains and losses from the sale of financial instruments in the Statement of Comprehensive Income.

Subsequent changes in fair value of financial assets carried at fair value through other comprehensive income are recognised through the investment portfolio revaluation reserve after deducting a provision for the potential deferred tax as these investments are long-term holding of equity investments.

When an instrument held at fair value through other comprehensive income is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the investment portfolio revaluation reserve to the realised gains/losses reserve.

Determination of Fair Value

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company measures the fair value of listed financial assets at quoted last sale prices.

Derivatives

As at 30 June 2017, the Company did not hold derivative instruments in the form of futures and options.

Derivatives are classified as at fair value through profit or loss - held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

Derivatives in a net receivable position (positive fair value) are reported as financial assets at fair value through profit or loss - held-for-trading. All derivatives in a net payable position (negative fair value) are reported as financial liabilities at fair value through profit or loss - held-for-trading.

(j) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(k) Profits reserve

The profits reserve is made up of amounts transferred from current and retained earnings that are preserved for future dividend payments.

(l) Issued capital

Ordinary shares are classified as equity.

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

2 Summary of significant accounting policies (continued)

(m) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

(n) Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

As there are no dilutive potential ordinary shares, diluted earnings per share is calculated using the same methodology.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Where applicable, the Company qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 75%; hence fees for these services have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the taxation authority.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(p) Rounding of amounts

The Company is of a kind referred to in ASIC Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that ASIC Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(q) Functional and presentation currency

The functional and presentation currency of the Company is Australian dollars.

(r) Comparatives

Where necessary, comparative information has been reclassified to be consistent with current reporting period.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

(i) Income taxes

The Company has recognised deferred tax assets relating to carried forward tax losses of \$4.1m at 30 June 2017 (2016: \$5.8m). Utilisation of these tax losses depends on the ability of the Company to satisfy certain tests at the time the losses are recouped. The Company may fail to satisfy the continuity of ownership test and therefore has to rely on the same business test. If the Company fails to satisfy the same business test, the deferred tax asset of \$4.1m that is currently recognised would be written off to income tax expense. Refer to Note 12 for further discussion of accounting for deferred tax assets.

(ii) Designation of Investments

Management has designated investments in shares and units in trusts as:

- 'Fair value through other comprehensive income' for long-term investments, which results in the fair value adjustments for the year being recognised directly in equity in the investment portfolio revaluation reserve, net of tax. Once an investment is sold, any cumulative gain or loss recognised attributable to that investment is transferred to the realised gains/losses reserve, net of tax.
- 'Fair value through profit or loss' for held for trading investments, which results in the fair value adjustments and any gains/losses on disposals for the year being recognised in the Statement of Comprehensive Income.

4 Segment information

The Company has only one reportable segment. The Company operates predominantly in Australia and in one industry being the securities industry, deriving revenue from dividend income, interest income and from the sale of its investment portfolio.

5 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk. The Board of the Company has implemented a risk management framework to mitigate these risks.

(a) Market risk

The standard defines this as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

(i) Foreign exchange risk

The Company is not directly exposed to currency risk as all its investments are quoted in Australian dollars.

(ii) Price risk

The Company is exposed to price risk on equity and derivative securities listed or quoted on recognised exchanges. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets at fair value.

The Company seeks to manage and constrain market risk by diversification of the investment portfolio across multiple stocks and industry sectors. The portfolio is maintained by the Investment Manager within a range of parameters governing the levels of acceptable exposure to stocks and industry sectors.

5 Financial risk management (continued)

(a) Market risk (continued)

Securities representing over 5 per cent of the investment portfolio at 30 June 2017 and 2016 were:

| | 2017 (%) |
|---------------------------------|---------------------------|
| Commonwealth Bank of Australia | 5.96 |
| ANZ Banking Group Limited | 5.37 |
| BHP Billiton Limited | 5.09 |
| | <u>16.42</u> |
| | 2016 (%) |
| Commonwealth Bank of Australia | 8.20 |
| Westpac Banking Corporation | 6.71 |
| Telstra Corporation Limited | 6.27 |
| BHP Billiton Limited | 5.97 |
| ANZ Banking Group Limited | 5.65 |
| National Australia Bank Limited | 5.25 |
| | <u>38.05</u> |

No other security represents over 5 percent of the investment portfolio at 30 June 2017 and 30 June 2016.

The following table illustrates the effect on the Company's equity from possible changes in other market risk that were reasonably possible based on the risk the Company was exposed to at reporting date, assuming a flat tax rate of 27.5 per cent (2016: 30 per cent).

| Index | Impact on other components of equity | |
|---|---|------------------------------|
| | 2017 \$'000 | 2016 \$'000 |
| Change in variable +/- 5% (2016: +/-5%) | 2,515 | 2,355 |
| Change in variable +/- 10% (2016: +/-10%) | 5,031 | 4,711 |

(iii) Cash flow and fair value interest rate risk

The Company's interest bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

5 Financial risk management (continued)

(a) Market risk (continued)

At 30 June 2017

| | Floating interest rate \$'000 | Non-interest bearing \$'000 | Total \$'000 |
|--|-------------------------------------|-----------------------------------|-----------------|
| Financial assets | | | |
| Cash and cash equivalents | 20,557 | - | 20,557 |
| Trade and other receivables | - | 582 | 582 |
| Financial assets held at fair value through profit or loss | - | 9,144 | 9,144 |
| Financial assets held at fair value through other comprehensive income | - | 60,243 | 60,243 |
| | <u>20,557</u> | <u>69,969</u> | <u>90,526</u> |
| Financial liabilities | | | |
| Trade and other payables | - | (1,726) | (1,726) |
| | <u>-</u> | <u>(1,726)</u> | <u>(1,726)</u> |
| Net exposure | <u>20,557</u> | <u>68,243</u> | <u>88,800</u> |

At 30 June 2016

| | Floating interest rate \$'000 | Non- interest bearing \$'000 | Total \$'000 |
|--|--|---------------------------------------|-----------------|
| Financial assets | | | |
| Cash and cash equivalents | 2,961 | - | 2,961 |
| Trade and other receivables | - | 599 | 599 |
| Financial assets held at fair value through other comprehensive income | - | 67,295 | 67,295 |
| | <u>2,961</u> | <u>67,894</u> | <u>70,855</u> |
| Financial liabilities | | | |
| Trade and other payables | - | (231) | (231) |
| | <u>-</u> | <u>(231)</u> | <u>(231)</u> |
| Net exposure | <u>2,961</u> | <u>67,663</u> | <u>70,624</u> |

The majority of the Company's financial assets are non-interest bearing. As a result, the Company is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Sensitivity

At 30 June 2017, if interest rates had increased by 75 or decreased by 75 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been \$112,000 higher/\$112,000 lower (2016 changes of +75 bps/-75 bps: \$16,000 higher/\$16,000 lower), mainly as a result of higher/lower interest income from cash and cash equivalents.

5 Financial risk management (continued)

(b) Credit risk

The standard defines this as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date 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.

There are no material amounts of collateral held as security at 30 June 2017.

Credit risk is managed as noted in Note 8 with respect to cash and cash equivalents and Note 9 for trade and other receivables. None of these assets are overdue or considered to be impaired.

(c) Liquidity risk

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Board and Investment Manager monitor the cash flow requirements in relation to the investing account taking into account upcoming dividends, tax payments and investing activity.

The Company's inward cash flows depend upon the level of dividend and distribution revenue received. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of these outflows is managed by the Board and Investment Manager.

The assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary.

Maturities of financial liabilities

All non-derivative financial liabilities of the Company in the current year and the prior year have maturities of less than one month.

6 Fair value measurements

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets and financial liabilities at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVTOCI)

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

6 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

(i) Recognised fair value measurements

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June 2017 and 2016.

| At 30 June 2017 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|-------------------------------------|-------------------|-------------------|-------------------|-----------------|
| Financial assets | | | | |
| Australian listed equity securities | 69,387 | - | - | 69,387 |
| Total financial assets | <u>69,387</u> | <u>-</u> | <u>-</u> | <u>69,387</u> |
| | | | | |
| At 30 June 2016 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
| Financial assets | | | | |
| Australian listed equity securities | 67,295 | - | - | 67,295 |
| Total financial assets | <u>67,295</u> | <u>-</u> | <u>-</u> | <u>67,295</u> |

There were no transfers between levels for recurring fair value measurements during the year.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(ii) Disclosed fair values

For all financial instruments other than those measured at fair value, their carrying value approximates fair value.

The carrying amounts of receivables and payables are assumed to approximate their fair values due to their short-term nature.

7 Income tax benefit

On 19 May 2017, the Federal Government enacted laws reducing the corporate tax rate to 27.5% for companies with turnover below \$10 million in the financial year ended 30 June 2017, applicable retrospectively from 1 July 2016. This legislation also introduced a new formula for determining the maximum franking credit entitlement for a frankable distribution, which is generally based on the Company's corporate tax rate for the prior income year. For FY17, the Company's turnover fell under the \$10 million threshold and therefore the Company has a reduced corporate tax rate of 27.5% for the year ended 30 June 2017 (previously 30%).

(a) Income tax benefit through profit or loss

| | Year ended | |
|---|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Current income tax benefit | (227) | (18) |
| Deferred tax expense/(benefit) | (825) | (3,095) |
| Over provision in respect of prior year | 3 | 14 |
| | <u>(1,049)</u> | <u>(3,099)</u> |
| | | |
| <i>Income tax benefit is attributable to:</i> | | |
| Profit from operations | <u>(1,049)</u> | <u>(3,099)</u> |

7 Income tax benefit (continued)

(b) Numerical reconciliation of income tax benefit to prima facie tax payable

| | Year ended | |
|--|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Profit from operations before income tax benefit | 2,549 | 2,493 |
| Tax at the Australian tax rate of 27.5% (2016: 30%) | 701 | 748 |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Franking credits on dividends received | (1,109) | (1,206) |
| Imputation gross up on dividend income | 305 | 362 |
| Change in franked dividend not subject to tax | 26 | (15) |
| Foreign income tax offset (FITO) on dividends received | - | (3) |
| FITO gross-up on dividends received | 2 | 1 |
| Reinstatement of previously written-off deferred tax asset | (1,000) | (3,000) |
| Over-provision in prior year | 3 | 14 |
| Effect of change in income tax rate from 30% to 27.5% | 23 | - |
| Income tax benefit | <u>(1,049)</u> | <u>(3,099)</u> |

The applicable weighted average effective tax rates are as follows:*

(41.15%) (124.31%)

* The weighted average effective tax rate reflects the amount of reinstatement of deferred tax asset (DTA) de-recognised in the previous years.

The increase in the effective tax rate from the comparative rate is reflective of the lower amount of DTA on capital losses written back in the current year.

(c) Tax expense/(benefit) relating to items of other comprehensive income

| | Year ended | |
|--|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Net unrealised gains/(losses) on investments taken to equity | 966 | (2,332) |
| Net realised gains on investments taken to equity | 1,679 | 522 |
| | <u>2,645</u> | <u>(1,810)</u> |

(d) Tax losses

| | Year ended | |
|---|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Unused tax losses for which no deferred tax asset has been recognised | 6,178 | 9,813 |
| Potential tax benefit @ 27.5% (2016: 30%) | <u>1,699</u> | <u>2,944</u> |

8 Current assets - Cash and cash equivalents

| | At | |
|-----------------------|---------------|--------------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Current assets | | |
| Cash at bank | 20,557 | 2,961 |
| | 20,557 | 2,961 |

These accounts are earning interest at rates between 0.30% and 0.75% as at 30 June 2017 (2016: 0.55% and 1%).

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

| | At | |
|-------------------|--------|--------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Balances as above | 20,557 | 2,961 |

(b) Risk exposure

The Company's exposure to interest rate risk is discussed in Note 5. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash investments are made with BNP Paribas and the Commonwealth Bank of Australia, which are rated at least A and AA-, respectively, by Standard & Poor's.

9 Current assets - Trade and other receivables

| | At | |
|--|------------|------------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Dividends and distributions receivable | 464 | 580 |
| Interest receivable | 9 | 3 |
| GST receivable | 109 | 16 |
| | 582 | 599 |

(a) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the end of the period is the carrying amount of each class of receivables mentioned above. There are no past due or impaired receivables.

Receivables are non-interest bearing and unsecured.

10 Current assets - Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are all held for trading and include the following:

| | 2017 | At | 2016 |
|-------------------------------------|---------------|-----------|---------------|
| | \$'000 | | \$'000 |
| Australian listed equity securities | 9,144 | | - |

The market values of all investments as at 30 June 2017 are disclosed on pages 60 to 61 of the Annual Report.

(a) Risk exposure and fair value measurements

Information about the Company's exposure to price risk and about the methods and assumptions used in determining fair value is provided in Note 5.

Changes in fair values of financial assets at fair value through profit or loss are recognised in the Statement of Comprehensive Income.

11 Non-current assets - Financial assets at fair value through other comprehensive income

| | 2017 | At | 2016 |
|-------------------------------------|---------------|-----------|---------------|
| | \$'000 | | \$'000 |
| Australian listed equity securities | 60,243 | | 67,295 |

The market values of all investments as at 30 June 2017 are disclosed on pages 60 to 61 of the Annual Report.

Certain securities within the investment portfolio were disposed during the financial year in the normal course of the Company's business as a listed investment company. The fair value of the investments sold during the year was \$115.6m (2016: \$35.3m). The cumulative profit before tax for the year on these disposals was \$4.3m (2016: \$1.7m), which has been transferred from the investment portfolio revaluation reserve to the investment portfolio realised gains/losses reserve.

(a) Risk exposure and fair value measurements

Information about the Company's exposure to price risk and about the methods and assumptions used in determining fair value is provided in Notes 5 and 6, respectively.

12 Non-current assets - Deferred tax assets

As at 30 June 2017, a deferred tax asset (DTA) totalling \$6.8m arising from total prior year tax losses of \$24.6m are available to the Company. In 30 June 2015 and prior years \$1.69m of this DTA was de-recognised in the accounts, following a conservative review of the period over and the extent to which the losses were expected to be recovered taking into account the long term average return of previous investment manager and the market outlook. The prior decision to write off this amount does not impact the ability of the Company to carry the full quantum of tax losses forward for tax purposes.

The Board has determined that a five-to-seven year time horizon is appropriate to recognise off balance sheet deferred tax assets. Once reinstated, the off balance sheet deferred tax assets would increase the net assets in the Statement of Financial Position and also increase net profit after tax for the year in the Statement of Comprehensive Income. The Board has taken a view on expected equity market returns over the next five years and, on that basis, has written back \$1m of the deferred tax assets (2016: \$3m). The unrecognised DTA remaining on the cumulative written down capital losses amounted to \$1.69m as at 30 June 2017 (refer to Note 7(d)).

The Board considers the current level of DTA recognised from recorded tax losses of \$5.1m to be reasonable and adequate, providing the opportunity to utilise these losses against gains of up to \$18.4m. The tax loss position of the Company will be reviewed annually with tax losses recognised in line with the Company's policy.

| | At | |
|---|---------|---------------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| The balance comprises temporary differences attributable to: | | |
| Realised capital losses | 6,752 | 8,785 |
| Cumulative write down of capital losses | (1,699) | (2,944) |
| Unrealised losses on investments | - | 310 |
| Audit fee accrual | 7 | 10 |
| Imputation credits to utilise in future years | 639 | 469 |
| Capital raising, buy-back and rights issue related fees | 333 | 21 |
| Total deferred tax assets | 6,032 | 6,651 |
| | | |
| | | Total |
| | | \$'000 |
| Movements | | |
| At 1 July 2015 | | 4,097 |
| (Charged)/credited | | |
| - to other comprehensive income | | (579) |
| - to profit or loss | | 3,133 |
| At 30 June 2016 | | 6,651 |
| (Charged)/credited | | |
| - to other comprehensive income | | (2,098) |
| - to profit or loss | | 1,479 |
| At 30 June 2017 | | 6,032 |

13 Current liabilities - Trade and other payables

| | At | |
|-------------------------|--------|--------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Management fees payable | 185 | 79 |
| Unsettled purchases | 1,369 | 70 |
| Other payables | 172 | 82 |
| | 1,726 | 231 |

Trade and other payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

14 Non-current liabilities - Deferred tax liabilities

| | At | |
|-------------------------------------|--------|--------|
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Net unrealised gains on investments | 584 | - |
| Interest and dividend accruals | 23 | 30 |
| | 607 | 30 |

Movements:

| | |
|---------------------------------|---------|
| At 1 July 2015 | 2,418 |
| Charged/(credited) | |
| - to profit or loss | 1 |
| - to other comprehensive income | (2,389) |
| At 30 June 2016 | 30 |
| Charged | |
| - to profit or loss | 47 |
| - to other comprehensive income | 530 |
| At 30 June 2017 | 607 |

15 Issued capital

(a) Share capital

| | | At | | At | |
|------------------------------|-----------------|---------------------------|---------------------------|----------------|----------------|
| | Notes | 30 June 2017 Shares | 30 June 2016 Shares | 2017 \$'000 | 2016 \$'000 |
| Ordinary shares - fully paid | 15(b), 15(c) | 94,268,790 | 81,865,704 | 87,303 | 74,420 |

15 Issued capital (continued)

(b) Movements in ordinary share capital

| Details | Notes | Number of shares | \$'000 |
|------------------------------------|-------|-------------------|---------------|
| At 1 July 2015 | | 80,320,732 | 73,120 |
| Rights entitlement shortfall offer | 15(e) | 1,544,972 | 1,300 |
| At 30 June 2016 | | 81,865,704 | 74,420 |
| Shares issued from capital raising | 15(f) | 52,200,282 | 49,239 |
| Share buy-back | 15(g) | (39,797,196) | (36,356) |
| | | 94,268,790 | 87,303 |
| Balance 30 June 2017 | | 94,268,790 | 87,303 |

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Dividend reinvestment plan

The Dividend Reinvestment Plan (DRP) last applied to dividends for the year ended 30 June 2012. The DRP has not been offered since.

(e) Non-renounceable entitlement offer

On 12 May 2015, the Company announced a non-renounceable 1 for 5 rights issue and shortfall offer to shareholders, under which shareholders could participate as to their entitlements and also participate in any shortfall (Entitlement Offer). After the Entitlement Offer closed on 11 June 2015, there was a shortfall of shares taken up which were offered pro rata to Eligible Shareholders under the Entitlement Offer who are sophisticated or professional investors. This shortfall offer resulted in new shares of 1,544,972 being issued on 3 July 2015.

(f) Capital raising through the issue of shares

On 18 April 2017, the shareholders of the Company approved a resolution to issue a maximum of 85m shares. On 2 June 2017, 52,200,282 new shares were issued from the capital raising at an issue price of 96 cents per share.

(g) Share buy-back

On 18 April 2017, the shareholders of the Company approved a resolution to undertake an off market buy-back. On 2 June 2017, a total of 39,797,196 shares were bought back at the buy-back price of 93.81 cents per share (broken down as capital price of 90.90 cents per share and unfranked dividend component of 2.91 cents per share).

(h) Capital risk management

The Board's policy is to maintain an appropriate level of liquidity in the Company's shares.

To achieve this the Board of Directors monitor the monthly NTA results, investment performance, the Company's Indirect Cost Ratio (formerly known as 'Management Expense Ratio') and share price movements.

The Company is not subject to any externally imposed capital requirements.

16 Reserves and accumulated losses

(a) Reserves

| | At | |
|--|-------------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Investment portfolio revaluation reserve | 2,405 | (124) |
| Investment portfolio realised gains/losses reserve | 5,418 | 3,847 |
| | 7,823 | 3,723 |
| | Year ended | |
| | 2017 | 2016 |
| | \$'000 | \$'000 |
| Notes | | |

Movements:

Profits reserve

| | | | |
|--|-------|---------|---|
| Opening balance | | - | - |
| Transfer of profits during the year | | 3,598 | - |
| Transfer from investment portfolio realised gains/losses reserve | | 1,080 | - |
| Franked dividends paid during the year | 17(a) | (3,520) | - |
| Unfranked dividend component of share buy-back* | | (1,158) | - |
| Closing balance | | - | - |

*Shareholders who participated in the buy-back during the year also received an unfranked dividend component of 2.91 cents per share (as part of the total buy-back consideration).

Investment portfolio revaluation reserve

| | | | |
|--|--|-------|---------|
| Opening balance | | (124) | 5,320 |
| Net unrealised gains/(losses) on investments | | 3,495 | (7,776) |
| Income tax on net unrealised (gains)/losses on investments | | (966) | 2,332 |
| Closing balance | | 2,405 | (124) |

Investment portfolio realised gains/losses reserve

| | | | |
|---|--|---------|-------|
| Opening balance | | 3,847 | 2,629 |
| Net realised gains on investments | | 4,330 | 1,740 |
| Income tax on net realised gains on investments | | (1,679) | (522) |
| Transfer to profits reserve | | (1,080) | - |
| Closing balance | | 5,418 | 3,847 |

16 Reserves and accumulated losses (continued)

(b) Accumulated losses

Movements in accumulated losses were as follows:

| | Notes | Year ended | |
|-----------------------------|-------|----------------|----------------|
| | | 2017 \$'000 | 2016 \$'000 |
| Opening balance | | (878) | (3,482) |
| Net profit for the year | | 3,598 | 5,592 |
| Dividends | 17 | - | (2,988) |
| Transfer to profits reserve | | (3,598) | - |
| Closing balance | | (878) | (878) |

Current year profits were transferred to Profits Reserve for payment of dividends for the year ended 30 June 2017.

17 Dividends

| | Year ended | |
|--|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| a) Ordinary shares | | |
| Final dividend for the 2016 financial year | 1,310 | - |
| Final dividend for the 2015 financial year | - | 1,433 |
| Interim dividend | 1,310 | 1,555 |
| Special dividend | 900 | - |
| | 3,520 | 2,988 |

(b) Dividend franking account

| | Year ended | |
|---|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Opening balance of franking account | 358 | 433 |
| Franking credits on dividends received | 1,107 | 1,206 |
| Franking credits paid on ordinary dividends paid | (1,335) | (1,281) |
| Closing balance of franking account | 130 | 358 |
| Adjustments for receipt of dividends and dividends declared | 167 | 208 |
| Adjusted franking account balance | 297 | 566 |

17 Dividends (continued)

(c) Dividend rate

Dividends declared and/or paid in respect of the corresponding financial year:

| | Dividend Rate | Total Amount \$'000 | Date of Payment | % Franked |
|---------------------------|------------------|------------------------|--------------------|-----------|
| 2017 | | | | |
| Ordinary shares - special | 1.10 cps | 900 | 10/05/2017 | 100* |
| Ordinary shares - interim | 1.60 cps | 1,310 | 10/05/2017 | 100* |
| 2016 | | | | |
| Ordinary shares - final | 1.60 cps | 1,310 | 30/09/2016 | 100* |
| Ordinary shares - interim | 1.90 cps | 1,555 | 07/03/2016 | 100** |

* Franked at the maximum corporate tax rate of 27.5%

** Franked at the maximum corporate tax rate of 30%

Shareholders who participated in the buy-back during the year also received an unfranked dividend component of 2.91 cents per share (as part of the total buy-back consideration).

18 Key management personnel disclosures

(a) Key management personnel compensation

| | Year ended | |
|------------------------------|----------------|----------------|
| | 2017 | 2016 |
| | \$ | \$ |
| Short-term employee benefits | 72,483 | 82,814 |
| Post-employment benefits | 42,117 | 37,186 |
| | <u>114,600</u> | <u>120,000</u> |

Detailed remuneration disclosures are provided in the remuneration report on pages 21 to 23.

19 Remuneration of auditors

During the year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Limited, the auditor of the Company:

| | Year ended | |
|---|----------------|---------------|
| | 2017 | 2016 |
| | \$ | \$ |
| <i>Audit and other assurance services</i> | | |
| Audit and review of financial statements | 48,083 | 46,601 |
| Other assurance services | | |
| Non-Audit services* | 66,330 | 23,000 |
| Total remuneration for audit and other assurance services | 114,413 | 69,601 |
| | | |
| Total remuneration of Grant Thornton Audit Pty Limited | 114,413 | 69,601 |
| | | |
| Total auditors' remuneration | 114,413 | 69,601 |

*Non-audit services were performed in the 2017 financial year for the preparation of the Independent Expert Report for inclusion in the Explanatory Memorandum dated 9 March 2017 and for the preparation of an Investigating Accountant's Report for inclusion within the Prospectus dated 19 April 2017. Non-audit services for the year ended 30 June 2016 were performed in relation to the Wilson Asset Management (International) Pty Limited (WAMI) restructure proposal. Related fees were paid by WAMI on behalf of CYA as disclosed in Note 20(b).

20 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 18.

(b) Expenses related to the proposed restructure by WAMI

In January 2016, the Board had received a restructure proposal from WAMI. Expenses related to reviewing the proposal (including independent expert advice) amounted to \$115,025 (GST inclusive). The proposal was withdrawn the following month and WAMI had indemnified CYA for \$100,000 of costs in connection to the proposal which was paid in April 2016. The net amount of the expenses incurred are included under Other Expenses in the Statement of Comprehensive Income.

20 Related party transactions (continued)

(c) Investment Manager's fees

The Company has an investment management agreement with MAM Pty Limited. Geoff Wilson is the Director of MAM Pty Limited, the entity appointed to manage the investment portfolio of Century Australia. Entities associated with Geoff Wilson hold 100% of the issued shares of MAM Pty Limited. In its capacity as Manager and in accordance with the investment management agreement, MAM Pty Limited was paid a management fee of 1% p.a (plus GST) of the value of portfolio amounting to \$184,669 (representing the period from appointment to 30 June 2017).

In addition, MAM Pty Limited is to be paid, half yearly in arrears, a performance fee being 20% (plus GST) of the amount by which the value of the portfolio exceeds the return of the S&P/ASX 300 Accumulation Index over that period. If the value of the portfolio is less than the return of the S&P/ASX 200 Accumulation Index, no performance fee will be payable in respect of that period and the negative amount is to be carried forward to the following calculation period(s) until it has been recouped in full against future positive performance. No performance fees will be payable until the full recoupment of prior underperformance.

At 30 June 2017, there is no balance payable to the Manager in relation to performance fees. The Manager waived any entitlement to performance fees from the date of appointment to 30 June 2017 (being the first performance calculation period), as agreed with the Company.

Since the end of the financial year, no Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

(d) Terms and conditions

Transaction between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

21 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

22 Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities

| | Year ended | |
|--|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Profit for the year | 3,598 | 5,592 |
| Net gains on financial instruments held at fair value through profit or loss | (196) | (68) |
| Realised losses on futures and options | - | 116 |
| Proceeds from sale of financial assets at fair value through profit or loss | 138 | - |
| Payments for financial assets at fair value through profit or loss | (7,717) | (16) |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | 98 | (28) |
| (Increase) in other current assets | (3) | - |
| Increase in deferred tax assets | (661) | (3,042) |
| Increase/(decrease) in trade and other payables | 81 | (127) |
| (Decrease) in deferred tax liabilities | (389) | (56) |
| Net cash (outflow)/inflow from operating activities | <u>(5,051)</u> | <u>2,371</u> |

23 Non-cash investing and financing activities

There were no non-cash investing and financing activities for the year ended 30 June 2017 (2016: nil).

24 Earnings per share

(a) Basic and diluted earnings per share

| | Year ended | |
|---|---------------|---------------|
| | 2017 Cents | 2016 Cents |
| From continuing operations attributable to the ordinary equity holders of the Company | <u>4.35</u> | 6.83 |
| Total basic and diluted earnings per share attributable to the ordinary equity holders of the Company | <u>4.35</u> | 6.83 |

Diluted earnings per share is the same as basic earnings per share (EPS).

The Company has no securities outstanding which have the potential to convert to ordinary shares and dilute the basic earnings per share.

The decrease in EPS is primarily due to reinstatement of previously written off deferred tax assets of \$1m in FY2017, compared to \$3m in the prior year.

(b) Profit used in calculating earnings per share

| | Year ended | |
|---------------------|----------------|----------------|
| | 2017 \$'000 | 2016 \$'000 |
| Profit for the year | <u>3,598</u> | 5,592 |

24 Earnings per share (continued)

(c) Weighted average number of shares used as denominator

| | Year ended | |
|--|-------------------|------------|
| | 2017 | 2016 |
| | Number | Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share | 82,792,076 | 81,891,896 |

25 Contingencies

The Company had no contingent liabilities at 30 June 2017 (2016: nil).

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 26 to 55 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

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



Robert Turner
Chairman

Sydney
30 August 2017

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Independent Auditor's Report to the Members of Century Australia Investments Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Century Australia Investments Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Century Australia Investments Limited is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <p>Existence and valuation of the investment portfolio (Notes 6 & 10)</p> <p>The Company has investments at 30 June 2017 of \$69,387,000. The investments largely consist of listed Australian equities.</p> <p>Whilst there is no significant judgement in determining the valuation of the Company's investments, investments represent a key measure of the Company's performance and comprise a significant proportion of total assets in the statement of financial position.</p> <p>Fluctuations in the valuation of investments held will impact the realised and unrealised gains/ (losses) recognised in the statement of comprehensive income which also affects the deferred tax provisions.</p> <p>This is a key audit matter due to the pervasive nature that the existence and valuation of the investment portfolio has on the Company's key financial metrics.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • testing management's reconciliation of the investments balance from the opening investment balance, addition/subtractions of purchases, sales and other relevant transactions and agreeing back to the 30 June 2017 balance; • agreeing all of the investment holdings at 30 June 2017 to an independent audit report of the existence, rights and obligations and valuation of the investment portfolio; • testing a sample of investment valuations back to independent market pricing sources; • obtaining and assessing a GS007 report on whether the controls over investment purchase and sales transactions were suitably designed and operated effectively for the year; and • evaluating the adequacy of disclosures made in the Company's financial statements in respect of the existence and valuation of the investment portfolio. |
| <p>Valuation of the deferred tax asset (Note 12)</p> <p>In accordance with AASB 12 "Income taxes" paragraph 34: "A deferred tax asset shall be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that the future taxable profit will be available against which the unused tax losses and unused tax credit can be utilised".</p> <p>Utilisation of the tax losses depends on the ability of the Company to satisfy certain tests at the time the losses are recouped. The Company has determined that it may fail to satisfy the continuity of ownership test and therefore has to rely on the same business test. If the Company failed to satisfy the same business test, the deferred tax asset that is currently recognised would be written off to income tax expense.</p> <p>This is a key audit matter to due to the judgement required in satisfying the same business test and due to the judgement required in determining the extent to which it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.</p> | <p>Our audit procedures included, amongst others, obtaining management's latest tax calculation and deferred tax asset recoupment analysis workings along with a Director's position paper and performing the following:</p> <ul style="list-style-type: none"> • identifying the key assumptions in the model; • using market or other relevant data to corroborate and challenge the key assumptions used by management; • testing the mathematical accuracy of the model; • considering the reasonableness of the expected loss recoupment including performing a sensitivity analysis; • obtaining, assessing and challenging the evidence provided to support management's position that the Company satisfies the same business test; • assessing whether that the deferred tax asset has been recognised only to the extent permitted in AASB 12 "Income taxes"; and • evaluating the adequacy of the accounting policy and disclosures made in the Company's financial statements in respect of the valuation of the deferred tax assets. |

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

Responsibilities of the Directors 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 preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 23 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Century Australia Investments Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



G S Layland
Director – Audit & Assurance
Sydney, 30 August 2017

| Security Code | Security Name | Portfolio Value (\$) | % of Total Portfolio Value |
|---|---|----------------------|----------------------------|
| FINANCIALS | | | |
| AMP | AMP LIMITED | 2,575,709 | 2.86% |
| ANZ | AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED | 3,722,974 | 4.14% |
| CBA | COMMONWEALTH BANK OF AUSTRALIA | 4,136,856 | 4.60% |
| CYB | CYBG PLC | 1,392,860 | 1.55% |
| IAG | INSURANCE AUSTRALIA GROUP LIMITED | 935,640 | 1.04% |
| JHG | JANUS HENDERSON GROUP PLC | 3,205,003 | 3.56% |
| MQG | MACQUARIE GROUP LTD | 2,208,783 | 2.46% |
| NAB | NATIONAL AUSTRALIA BANK LIMITED | 3,459,367 | 3.85% |
| SUN | SUNCORP GROUP LTD | 1,717,060 | 1.91% |
| WBC | WESTPAC BANKING CORP | 3,343,072 | 3.72% |
| TOTAL FINANCIALS | | 26,697,324 | 29.68% |
| ENERGY | | | |
| CTX | CALTEX AUSTRALIA LTD | 2,846,733 | 3.16% |
| ORG | ORIGIN ENERGY LIMITED | 1,749,300 | 1.94% |
| OSH | OIL SEARCH LIMITED | 682,000 | 0.76% |
| SOL | WASHINGTON H SOUL PATTINSON & COMPANY LIMITED | 609,739 | 0.68% |
| STO | SANTOS LIMITED | 454,500 | 0.51% |
| WPL | WOODSIDE PETROLEUM LTD | 2,728,744 | 3.03% |
| TOTAL ENERGY | | 9,071,016 | 10.09% |
| MATERIALS | | | |
| AMC | AMCOR LIMITED | 2,538,599 | 2.82% |
| BKW | BRICKWORKS LIMITED | 582,021 | 0.65% |
| BLD | BORAL LIMITED | 2,114,551 | 2.35% |
| IPL | INCITEC PIVOT LIMITED | 893,420 | 0.99% |
| JHX | JAMES HARDIE INDUSTRIES PLC | 1,046,156 | 1.16% |
| NUF | NUFARM LIMITED | 945,945 | 1.05% |
| TOTAL MATERIALS | | 8,120,692 | 9.03% |
| METALS AND MINING | | | |
| BHP | BHP BILLITON LIMITED | 3,528,945 | 3.92% |
| ILU | ILUKA RESOURCES LIMITED | 241,747 | 0.27% |
| RIO | RIO TINTO LIMITED | 2,968,755 | 3.30% |
| SGM | SIMS METAL MANAGEMENT LIMITED | 391,644 | 0.44% |
| TOTAL METALS AND MINING | | 7,131,091 | 7.93% |
| CONSUMER STAPLES | | | |
| MTS | METCASH LIMITED | 810,480 | 0.90% |
| WES | WESFARMERS LIMITED | 1,212,587 | 1.35% |
| WOW | WOOLWORTHS LIMITED | 2,657,999 | 2.96% |
| TOTAL CONSUMER STAPLES | | 4,681,066 | 5.20% |
| TELECOMMUNICATION SERVICES | | | |
| SLC | SUPERLOOP LIMITED | 396,800 | 0.44% |
| TLS | TELSTRA CORPORATION LIMITED | 2,213,292 | 2.46% |
| VOC | VOCUS GROUP LIMITED | 1,635,073 | 1.82% |
| TOTAL TELECOMMUNICATION SERVICES | | 4,245,165 | 4.72% |
| REAL ESTATE | | | |
| GTY | GATEWAY LIFESTYLE GROUP | 771,810 | 0.86% |
| LLC | LENDLEASE GROUP | 1,515,283 | 1.68% |
| TOTAL REAL ESTATE | | 2,287,093 | 2.54% |

| Security Code | Security Name | Portfolio Value (\$) | % of Total Portfolio Value |
|-------------------------------------|-----------------------------|----------------------|----------------------------|
| HEALTH CARE | | | |
| ANN | ANSELL LIMITED | 1,137,664 | 1.26% |
| HSO | HEALTHSCOPE LTD | 182,325 | 0.20% |
| RMD | RESMED INC | 847,567 | 0.94% |
| TOTAL HEALTH CARE | | 2,167,556 | 2.41% |
| CONSUMER DISCRETIONARY | | | |
| ISU | ISELECT LIMITED | 219,265 | 0.24% |
| NWS | NEWS CORPORATION CLASS B | 1,614,869 | 1.80% |
| PMV | PREMIER INVESTMENTS LIMITED | 328,052 | 0.36% |
| TOTAL CONSUMER DISCRETIONARY | | 2,162,186 | 2.40% |
| UTILITIES | | | |
| AGL | AGL ENERGY LTD | 1,769,139 | 1.97% |
| TOTAL UTILITIES | | 1,769,139 | 1.97% |
| INFORMATION TECHNOLOGY | | | |
| CL1 | CLASS LIMITED | 310,134 | 0.34% |
| CPU | COMPUTERSHARE LTD | 287,509 | 0.32% |
| TOTAL INFORMATION TECHNOLOGY | | 597,643 | 0.66% |
| INDUSTRIALS | | | |
| QAN | QANTAS AIRWAYS LIMITED | 457,600 | 0.51% |
| TOTAL INDUSTRIALS | | 457,600 | 0.51% |
| OTHER | | | |
| | CASH | 20,556,642 | 22.85% |
| TOTAL OTHER | | 20,556,642 | 22.85% |
| TOTAL | | 89,944,213 | 100.00% |

The Shareholder Information set out below was applicable as at 15 September 2017.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

| Holding | Ordinary shares |
|------------------|-----------------|
| 1 - 1000 | 191 |
| 1,001 - 5,000 | 570 |
| 5,001 - 10,000 | 538 |
| 10,001 - 100,000 | 1,501 |
| 100,001 and over | 171 |
| | 2,971 |

There were 100 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

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

| Name | Ordinary shares Number held | Percentage of issued shares |
|--|--------------------------------|--------------------------------|
| Sysha Pty Ltd (Sydney Goodman Family A/C) | 4,500,000 | 4.77 |
| Lekk Pty Ltd (Hilton Gordon Family A/C) | 3,125,000 | 3.31 |
| G W Holdings Pty Ltd (Edwina A/C) | 2,083,333 | 2.21 |
| Jorlyn Pty Ltd (Robert Jordan Family A/C) | 2,083,333 | 2.21 |
| Mr Warwick Sauer | 1,276,845 | 1.35 |
| LIC Investments Pty Ltd (LIC Investments Unit A/C) | 1,054,208 | 1.12 |
| Mr Victor John Plummer | 1,041,666 | 1.10 |
| Greybox Holdings Pty Ltd | 1,003,788 | 1.06 |
| English Family Super Fund Pty Ltd (N English No1 Super Ben A/C) | 781,250 | 0.83 |
| BT Portfolio Services Limited (Dr Trevor Sauer A/C) | 619,501 | 0.66 |
| HSBC Custody Nominees (Australia) Limited | 575,113 | 0.61 |
| Securities & Estates Pty Ltd | 572,916 | 0.61 |
| JG Robertson Holdings Pty Ltd (JG Robertson Super Fund A/C) | 520,833 | 0.55 |
| Mrs Carol Annette Archer | 500,000 | 0.53 |
| BT Portfolio Services Limited (Mrs Meredyth Sauer App A/C) | 496,695 | 0.53 |
| I & R Simpson Super Pty Ltd (The Simpson S/F A/C) | 414,351 | 0.44 |
| VBW Pty Ltd (Windberg Family S/F A/C) | 408,380 | 0.43 |
| Guys Investments Pty Ltd (Mallam Family S/F A/C) | 339,281 | 0.36 |
| Baranda Pty Ltd (Weickhardt Super Fund A/C) | 312,500 | 0.33 |
| Securities and Estates Pty Ltd (St Ives Homes PL Pension A/C) | 312,500 | 0.33 |
| Geat Incorporated (Geat-Income Fund A/C) | 312,500 | 0.33 |
| R W Kirby Pty Ltd | 312,500 | 0.33 |
| Miss Susan Marion Varga & Miss Anne Dorothy Coombs (Varga Coombs Super Fund A/C) | 300,000 | 0.32 |
| Mr Bruce Rutter & Mrs Lindsay Rutter (Rutter Family Super A/C) | 295,000 | 0.31 |
| | 23,241,493 | 24.63 |

C. Substantial holders

The Company has currently no substantial holders.

D. On-market buy-back

The Company has no current on-market buy-back.

E. Voting rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary Share

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

F. Stock Exchange Listing

Quotation has been granted for all of the ordinary shares of the Company on all member exchanges of the ASX.

G. Unquoted Securities

There are no unquoted shares on issue.

H. Transaction Summary

During the financial year, 1,274 transactions in securities were made by the Company. The total brokerage expensed during the year was \$162,455.

I. Investment Management Agreement

The Company has an investment management agreed with MAM Pty Limited (Manager). The management fee is 1% p.a (plus GST) of the value of portfolio. Management fee paid/payable was \$184,669 (representing the period from appointment to 30 June 2017).

In addition to the monthly management fee, the Manager is entitled to be paid a performance fee of 20% (plus GST) of the outperformance of the portfolio to the S&P/ASX 300 Accumulation Index subject to recoupment of prior underperformance. As at 30 June 2017, there is no balance payable to the Manager in relation to performance fees. The Manager waived any entitlement to performance fees from the date of appointment to 30 June 2017 (being the first performance calculation period), as agreed with the Company.

The term of this arrangement is for an initial 5 year period and automatically extends for successive 5 year periods thereafter. After the initial 5 year term the Company may terminate the agreement on 3 months' notice if directed to do so by Shareholder resolution and the Manager may terminate on 6 months' notice.

J. Securities subject to voluntary escrow

There are no shares issued to voluntary escrow.