



AUSTRALIAN GOVERNANCE MASTERS
INDEX FUND LIMITED ABN 48 140 842 397

2011 ANNUAL REPORT

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CHAIRMAN'S LETTER

Welcome to the Annual Report for the Australian Governance Masters Index Fund Limited (the Company) for the financial year ended 30 June 2011 (FY11).

During FY11, the Company produced a total return to shareholders of 9.3%, comprising a gain in the Company's pre-tax net asset value of 6.7% and the payment of two fully-franked dividends – a 1.5 cents-per-share fully franked dividend on 28 October 2010 and a 2.5 cents-per-share fully franked dividend on 4 May 2011.

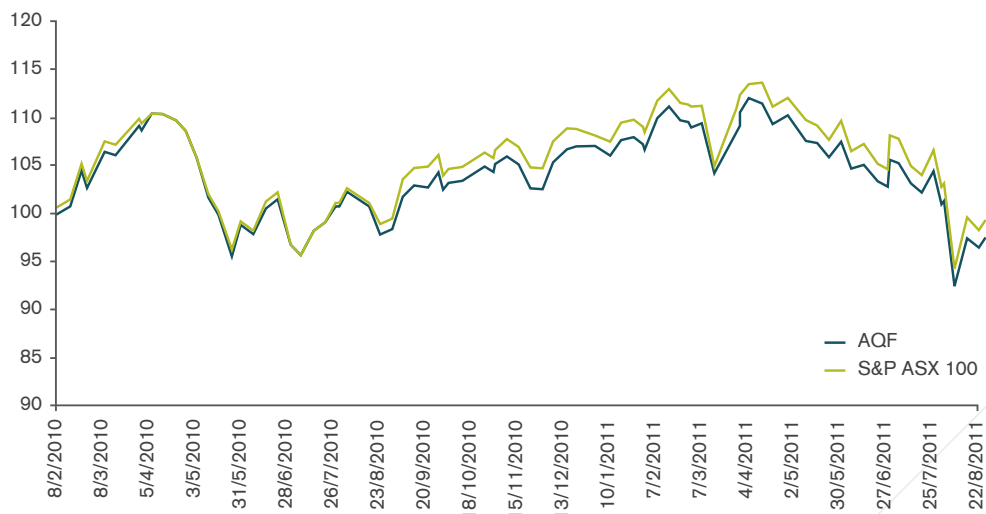
Operating profit after income tax (excluding new unrealised gains) on the investment portfolio was \$2,004,000. The comprehensive income after tax for the year was \$2,848,000.

The Company listed with a market capitalisation of \$28.7 million. Since then the Company's number of shares on issue has grown more than two-fold through eight placements to new shareholders and three dividend reinvestment plans, raising a total of \$30.9 million. We believe this demonstrates the continued significant support in the investment community for an investment strategy that emphasises good corporate governance. At the time of writing, the market capitalisation of the fund was \$56.1 million.

At the time of our listing, we said the Company would champion good governance by placing it at the forefront of our index-style investment strategy. We decide whether to include or exclude a company from our portfolio based on its relative corporate governance ranking, and we participate in the shareholder meetings of the entities in which we have invested.

The Company has continued to be an active participant in voting at general meetings and taking part in corporate actions. Since listing, the Company has participated in 105 shareholder votes, including 85 annual general meetings and 11 general meetings. In total, the Company voted on 575 resolutions. During FY11, the Company voted against a number of resolutions including the remuneration reports for Billabong, Asciano, Downer EDI, OneSteel, Coca-Cola Amatil and Rio Tinto as well as nine other resolutions at various company meetings.

The performance of the Company's weekly pre-tax net tangible assets (NTA) against its benchmark is shown below (inclusive of dividends):



The investment portfolio of the Company is invested in the best governed companies from the S&P ASX 100 Index as ranked by the Company's corporate governance analysis and third party research. As at 30 June 2011, the investment portfolio was spread over 77 stocks. The full portfolio listing, at market values as at 30 June 2011, is shown below:

Stock Name	Investment	Fund Weight
BHP BILLITON LIMITED	8,716,200	15.18%
COMMONWEALTH BANK OF AUSTRALIA	4,783,620	8.33%
WESTPAC BANKING CORPORATION	3,933,720	6.85%
ANZ BANKING GROUP LIMITED	3,349,104	5.83%
NATIONAL AUSTRALIA BANK LIMITED	3,261,426	5.68%
WESFARMERS LIMITED	2,173,508	3.78%
RIO TINTO LIMITED	2,152,678	3.75%
WOOLWORTHS LIMITED	1,969,445	3.43%
TELSTRA CORPORATION LIMITED	1,881,381	3.28%
NEWCREST MINING LIMITED	1,717,615	2.99%
WOODSIDE PETROLEUM LIMITED	1,428,891	2.49%
ORIGIN ENERGY LIMITED	1,145,580	1.99%
QBE INSURANCE GROUP LIMITED	1,070,414	1.86%
CSL LIMITED	1,057,722	1.84%
AMP LIMITED	816,757	1.42%
SANTOS LIMITED	696,457	1.21%
MACQUARIE GROUP LIMITED	633,219	1.10%
BRAMBLES LIMITED	614,306	1.07%
SUNCORP-METWAY LIMITED	606,886	1.06%
FOSTER'S GROUP LIMITED	580,673	1.01%
ORICA LIMITED	576,031	1.00%
AMCOR LIMITED	515,153	0.90%

Stock Name	Investment	Fund Weight
STOCKLAND TRUST GROUP	476,527	0.83%
TRANSURBAN GROUP	440,638	0.77%
ILUKA RESOURCES LIMITED	425,608	0.74%
OIL SEARCH LIMITED	423,672	0.74%
INSURANCE AUSTRALIA GROUP LIMITED	416,752	0.73%
AGL ENERGY LIMITED	392,019	0.68%
INCITEC PIVOT LIMITED	367,175	0.64%
WORLEYPARSONS LIMITED	342,947	0.60%
COCA-COLA AMATIL LIMITED	339,163	0.59%
GPT GROUP	315,270	0.55%
ALUMINA LIMITED	311,687	0.54%
ASX LIMITED	307,819	0.54%
SONIC HEALTHCARE LIMITED	287,503	0.50%
LEND LEASE GROUP	275,451	0.48%
ASCIANO GROUP	266,000	0.46%
DEXUS PROPERTY GROUP	251,264	0.44%
COMPUTERSHARE LIMITED	248,679	0.43%
OZ MINERALS LIMITED	244,992	0.43%
MIRVAC GROUP	239,675	0.42%
COCHLEAR LIMITED	238,032	0.41%
QANTAS AIRWAYS LIMITED	234,315	0.41%
TELECOM CORPORATION	196,039	0.34%
TOLL HOLDINGS LIMITED	185,561	0.32%
BENDIGO AND ADELAIDE BANK LIMITED	180,248	0.31%

Stock Name	Investment	Fund Weight
METCASH LIMITED	174,885	0.30%
BORAL LIMITED	173,268	0.30%
TATTS GROUP LIMITED	167,527	0.29%
ECHO ENTERTAINMENT GROUP	160,487	0.28%
SIMS METAL MANAGEMENT LIMITED	158,268	0.28%
ONESTEEL LIMITED	137,757	0.24%
JAMES HARDIE INDUSTRIES SE	136,515	0.24%
TABCORP HOLDINGS LIMITED	128,468	0.22%
TREASURY WINE ESTATES	127,786	0.22%
UGL LIMITED	127,293	0.22%
CHALLENGER GROUP LIMITED	124,656	0.22%
SEEK LIMITED	124,537	0.22%
BLUESCOPE STEEL LIMITED	122,568	0.21%
FAIRFAX MEDIA LIMITED	117,427	0.20%
PALADIN ENERGY LTD	115,245	0.20%
DAVID JONES LIMITED	113,875	0.20%
BOART LONGYEAR LIMITED	110,072	0.19%
ANSELL LIMITED	108,961	0.19%
APA GROUP	106,007	0.18%
CONNECTEAST GROUP	101,490	0.18%
BANK OF QUEENSLAND LIMITED	99,421	0.17%
CALTEX AUSTRALIA LIMITED	93,104	0.16%
MACARTHUR COAL LIMITED	84,227	0.15%
CSR LIMITED	82,705	0.14%

Stock Name	Investment	Fund Weight
GOODMAN FIELDER LIMITED	82,426	0.14%
PERPETUAL TRUSTEES AUSTRALIA LIMITED	67,535	0.12%
BILLABONG INTERNATIONAL LIMITED	63,868	0.11%
ARISTOCRAT LEISURE LIMITED	53,414	0.09%
TEN NETWORK HOLDINGS LIMITED	52,923	0.09%
SEVEN WEST MEDIA	34,875	0.06%
AWE LIMITED	34,541	0.06%
CASH	2,962,090*	5.16%
TOTAL	57,436,038	100.00%

We would like to take this opportunity to thank you for your continued support of the Australian Governance Masters Index Fund Limited.

Yours sincerely,



Mr Jeffrey Robert Whalan
Chairman

CORPORATE GOVERNANCE STATEMENT

Australian Governance Masters Index Fund Limited (the Company) is a listed investment company whose shares are traded on the Australian Securities Exchange (ASX). The Company has no employees and its day-to-day functions and investment activities are managed by Dixon Advisory & Superannuation Services Limited (the Manager) in accordance with the Management Agreement.

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

A description of the Company's practices in respect of the 8 Principles and Recommendations from the ASX Corporate Governance Council's Revised Corporate Governance Principles and Recommendations (ASX Recommendations) are set out below; all these practices, unless otherwise stated, were in place for the entire year.

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

BOARD ROLES AND RESPONSIBILITIES

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


- Providing and implementing the Company's strategic direction;
- Reviewing and overseeing the operation of systems of risk management ensuring that the significant risks facing the Company are identified, that appropriate control, monitoring and reporting mechanisms are in place and that risk is appropriately dealt with;
- Ensuring the Board is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the best standards of governance;
- Reviewing and overseeing internal compliance and legal regulatory compliance;
- Ensuring compliance with the Company's Constitution and with the continuous disclosure requirements of the ASX Listing Rules and the *Corporations Act*; and
- Communicating with and protecting the rights and interests of all shareholders.

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

2. STRUCTURE THE BOARD TO ADD VALUE

BOARD COMPOSITION

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



The directors of the Company at the date of this report are:

Mr Jeffrey Whalan (independent non-executive chairman)

Mr Maximilian Walsh (non-executive director)

Mr David Hawes (independent non-executive director)

The Company's Constitution provides that there must be a minimum of 3 and a maximum of 10 directors. Having regard to the size of the Company and the nature of its business, the Board has determined that a Board with 3 members is the appropriate composition for the Board and will enable it to continue to effectively discharge its responsibilities to the Company. However, the composition of the Board and its independence will be reviewed periodically.

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

The Company is committed to diversity in the composition of the Board. The current composition is well-balanced and it remains the Company's objective to maintain diversity as well as including members who can add to the skill set of the Company's Board. The directors will continue to monitor the composition of the Board.

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

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

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

PERFORMANCE EVALUATION

The Board conducts a review of its collective performance and the performance of its directors annually. This process includes consideration of feedback provided by directors via a questionnaire. The Board and individual directors, including the chairperson, were evaluated during the year to 30 June 2011 in accordance with these processes.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

CODE OF CONDUCT

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

SHARE TRADING POLICY

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

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

A copy of the Company's Share Trading Policy is available on the Company's website.

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

4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

AUDIT COMMITTEE

The Company recognises the ASX Recommendations with respect to establishing Audit Committee as good corporate governance. However, considering the size of the Company and that the majority of the Board is independent, the functions that would be performed by the Committee are best undertaken by the Board. This is also in line with ASX Recommendations which recognise that "the ultimate responsibility of the integrity of a company's financial reporting rests with the full board".

5. MAKING TIMELY AND BALANCED DISCLOSURE

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

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



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

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

6. RESPECT THE RIGHTS OF SHAREHOLDERS

RIGHTS OF SHAREHOLDERS

The Company promotes effective communication with shareholders. The Board of Directors has developed a strategy within its Continuous Disclosure Policy to ensure that shareholders are informed of all major developments affecting the Company's performance, activities and state of affairs. This includes using a website to facilitate communication with shareholders via electronic methods. Information is communicated to shareholders through announcements to the ASX, releases to the media and dispatch of financial reports. Shareholders are provided with an opportunity to access such reports and releases electronically; copies of all such ASX announcements are linked to the Company's website at **www.governancemasters.com.au**.

These include:

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

The Board encourages full participation of shareholders at the general meetings to ensure a high level of accountability and identification with the Company's strategy. The external auditor is also invited to attend the annual general meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report.

7. RECOGNISE AND MANAGE RISK

RISK MANAGEMENT

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

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

The Manager provides half yearly the declarations required by Section 295A of the Corporations Act and confirms that in its opinion the financial statements and accompanying notes comply with the Accounting Standards and give a true and fair view, based on its review of the internal control systems, management of risk, the financial statements and the letter from the Company's external auditor.

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

8. REMUNERATE FAIRLY AND RESPONSIBLY

REMUNERATION POLICIES

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

In accordance with the Company's constitution, each director may be paid remuneration for ordinary services performed as a director. Under ASX Listing Rules, the maximum fees payable to directors may not be increased without the prior approval from the Company in general meeting. Directors will seek approval from time to time as deemed appropriate.

The maximum total remuneration of the directors has been set at \$200,000 per annum to be divided among them in such proportions as they agree. However, Maximilian Walsh has agreed not to be paid any remuneration for the services he performs as director.

Remuneration of the directors during the year ended 30 June 2011 is set out in the Directors' Report and in the notes to the financial statements.

OTHER INFORMATION

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's website at www.governancemasters.com.au.



DIRECTORS' REPORT

Your directors present their report together with the financial report of Australian Governance Masters Index Fund Limited ("the Company") for the year ended 30 June 2011.

DIRECTORS

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

Mr Jeffrey Robert Whalan – Non-executive Chairman

Mr Maximilian Sean Walsh – Non-executive Director

Mr David Charles Hawes – Non-executive Director

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

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activity of the Company during the financial year was investing in securities included in the S&P ASX 100 Index screened for the relative quality of their corporate governance. Dixon Advisory & Superannuation Services Limited is the Investment Manager and the Issue Manager of the Company.

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

RESULTS AND REVIEW OF OPERATIONS

Total comprehensive income for the financial year was \$2,848,000 (2010: \$1,130,000 loss) for the Company. The profit of the Company after providing for income tax amounted to \$2,004,000 (2010: \$475,000). The Company is in a strong position with total assets of approximately \$58 million and no borrowings.

As at 30 June 2011, the NTA per ordinary share of the Company was \$1.60 after unrealised gains and adjustment for tax. This compares to a NTA of \$1.52 after unrealised losses and adjustment for tax as at 30 June 2010.

The weighted average number of ordinary shares for the year was 30,327,323. The basic and diluted earnings per share after tax was 6.61 cents.

During the year ended 30 June 2011, the Company completed multiple placements raising a total of \$25,932,000 from the issue of 15,823,066 ordinary shares. An additional 252,489 ordinary shares were issued as part of the Dividend Reinvestment Plan.

DIVIDENDS PAID

The Company paid fully franked dividends of 1.5 cents per share on 28 October 2010 and 2.5 cents per share on 4 May 2011.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company that occurred during the financial year ended 30 June 2011.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There were no matters subsequent to the end of financial year.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Company will continue to undertake its activities described in this report.

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

ENVIRONMENTAL ISSUES

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

OPTIONS

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

INDEMNIFYING OFFICERS OR AUDITOR

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

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



INFORMATION ON DIRECTORS



JEFFREY ROBERT WHALAN AO, BA **Non-Executive Chairman of Directors**

Jeffrey is an Independent Director of Australian Governance Masters Index Fund Limited. He is Managing Director of the Jeff Whalan Learning Group, a specialist human resources company. Jeffrey is also an Independent Director of Global Resource Masters Fund Limited, a company whose portfolio is managed by the Company's placement manager, Dixon Advisory & Superannuation Services Limited. He was a senior executive officer in the Australian Public Service from 1990 to 2008.

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

Jeffrey is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management. He is also the chair of the Code Compliance Committee which monitors compliance with the mutual Banking Code of Practice.

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

- Appointed as independent director and non-executive Chairman on 30 November 2009.
- Beneficially holds 50,231 fully paid ordinary shares in the capital of the Company.
- During the past three years has acted as non-executive director of the following Australian listed public company:
 - Global Resource Masters Fund Limited since 20 November 2008.



MAXIMILIAN SEAN WALSH AM, BEC **Non-Executive Director**

Maximilian is regarded as one of Australia's leading economics and business journalists. He has specialised in the areas of business, economics and politics in a journalistic career spanning nearly 50 years. He has been editor and managing editor of *The Australian Financial Review* and Editor-in-Chief of *The Bulletin*. He has also served on the board of Northern Star TV (predecessor to Channel Ten) and RuleBurst Holdings Pty Ltd and is presently Deputy Chairman of Dixon Advisory Group Limited and Deputy Chairman of Dixon Advisory & Superannuation Services Limited. Max is also Chairman of Asian Masters Fund Limited and Chairman of its Investment Committee, Chairman of Global Resource Masters Fund Limited and Chairman of its Investment Committee, and Chairman of Australian Masters Corporate Bond Fund No 1 Limited, Australian Masters Corporate Bond Fund No 2 Limited, Australian Masters Corporate Bond Fund No 3 Limited, Australian Masters Corporate Bond Fund No 4 Limited, Australian Masters Corporate Bond Fund No 5 Limited, Australian Masters Yield Fund No 1 Limited,

Australian Masters Yield Fund No 2 Limited and director of Dixon Advisory & Superannuation Services Limited. Dixon Advisory & Superannuation Services Limited is the Manager of Australian Governance Masters Index Fund Limited, Asian Masters Fund Limited, Global Resource Masters Fund Limited, Australian Masters Corporate Bond Fund No 1 Limited, Australian Masters Corporate Bond Fund No 2 Limited, Australian Masters Corporate Bond Fund No 3 Limited, Australian Masters Corporate Bond Fund No 4 Limited, Australian Masters Corporate Bond Fund No 5 Limited, Australian Masters Yield Fund No 1 Limited, Australian Masters Yield Fund No 2 Limited and the Responsible Entity for US Masters Residential Property Fund.

- Appointed as non-executive director on 30 November 2009.
- Directly holds 1 and beneficially holds 50,000 fully paid ordinary shares in the capital of the Company.
- During the past three years has acted as a non-executive director of the following Australian listed public companies:
 - Asian Masters Fund Limited since 10 October 2007;
 - Global Resource Masters Fund Limited since 20 November 2008;
 - Australian Masters Corporate Bond Fund No 1 Limited since 18 March 2008;
 - Australian Masters Corporate Bond Fund No 2 Limited since 7 August 2008;
 - Australian Masters Corporate Bond Fund No 3 Limited since 23 December 2008;
 - Australian Masters Corporate Bond Fund No 4 Limited since 23 December 2008; and
 - Australian Masters Corporate Bond Fund No 5 Limited since 3 September 2009.



DAVID CHARLES HAWES BCOM DIP ED
Non-Executive Director

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

He was Deputy Secretary in the Department of Foreign Affairs and Trade. With over 20 years experience in international trade policy and negotiations at bilateral and multilateral levels, he had served in Paris (OECD) and Brussels, and as Australia's Ambassador to the GATT in Geneva. David joined Qantas Airways in 1994, in the lead-up to the airline's full privatisation and public listing, and headed its Government and International relations area until early 2009. His role involved detailed dealings with policy makers and regulators and wide ranging engagement with internal and external stakeholders. He also represented Qantas on domestic and international industry bodies associated with aviation and tourism.

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

- Appointed as non-executive director on 7 December 2009.
- Beneficially holds 135,000 fully paid ordinary shares in the capital of the Company.
- During the past three years has not acted as director of any other Australian listed public company.

INFORMATION ON COMPANY SECRETARY

HANNAH CHAN BCOM, MCOM, CA

Company Secretary

Hannah has a Bachelor of Commerce degree in Finance from the University of NSW and a Master of Commerce degree in Accounting from the University of Sydney. She is also a Chartered Accountant with the Institute of Chartered Accountants in Australia. Prior to joining the Manager, Dixon Advisory & Superannuation Services Limited, Hannah gained extensive audit experience whilst working with Deloitte Touche Tohmatsu and Ernst & Young. She is also the company secretary of Australian Masters Corporate Bond Fund No 1 Limited, Australian Masters Corporate Bond Fund No 2 Limited, Australian Masters Corporate Bond Fund No 3 Limited, Australian Masters Corporate Bond Fund No 4 Limited, Australian Masters Corporate bond Fund No 5 Limited, Australian Masters Yield Fund No 1 Limited, Australian Masters Yield Fund No 2 Limited, Asian Masters Fund Limited and Global Resource Masters Fund Limited, and joint company secretary of Dixon Advisory & Superannuation Services Limited.

- Appointed as Company Secretary on 30 November 2009.

DIRECTORS' MEETINGS

Attendance of individual directors at board meetings held during the year ended 30 June 2011 was as follows:

	Meetings Held	Meetings Attended
Jeffrey Whalan	12	12
Maximilian Walsh	12	12
David Hawes	12	12

PROCEEDINGS ON BEHALF OF COMPANY

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

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

NON-AUDIT SERVICES

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

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

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

The following fees were paid or payable to William Buck Pty Ltd for non-audit services provided during the year ended 30 June 2011.

	\$
Tax compliance	7,300
	7,300

ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the lead auditor's independence declaration for the year ended 30 June 2011 as required under Section 307C of the *Corporations Act 2001* is set out on page 19.

REMUNERATION REPORT

Under the Company's constitution, each director may be paid remuneration for ordinary services performed as a director. Under ASX Listing Rules, the maximum fees payable to directors may not be increased without the prior approval from the Shareholders in general meeting. Directors will seek approval from time to time as deemed appropriate.

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

A) REMUNERATION OF NON-EXECUTIVE DIRECTORS

The independent non-executive directors are remunerated by the Company. It is the policy of the Board to remunerate at the market rates corresponding with the responsibilities borne by the independent non-executives directors. The remuneration of the independent non-executive directors is not linked to the performance or earnings of the Company.

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

Directors' Fees

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

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

Retirement Benefits to Directors

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

Other Benefits and Incentives

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

B) DIRECTOR'S REMUNERATION

Details of remuneration paid during the year to directors and officers are set out in the table below.

Directors	Short-term Benefits \$ '000"	Post Employment Benefits \$ '000"	Other Long-Term Benefits \$ '000"	Termination Benefits \$ '000"	Share-Based Payments \$ '000"	Total \$ '000
Jeffrey Whalan	46	4	–	–	–	50
Maximilian Walsh	–	–	–	–	–	–
David Hawes	23	27	–	–	–	50
Total	69	31	–	–	–	100

C) SERVICE AGREEMENTS

The Company does not presently have formal service agreements or employment contracts with any directors.

D) BENEFICIAL AND RELEVANT INTEREST OF DIRECTORS IN SHARES AND OPTIONS

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

Director	No. of shares
Jeffrey Whalan	50,231
Maximilian Walsh	50,001
David Hawes	135,000

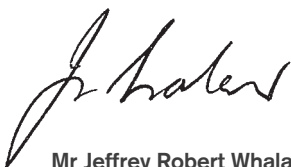
None of the directors holds options over the ordinary shares of the Company.

E) DIRECTORS PROTECTION DEEDS

The Company has agreed to provide access to board papers and minutes to current and former directors of the Company while they are directors and for a period of 7 years after they cease to be directors.

The Company has agreed to indemnify, to the extent permitted by the *Corporations Act 2001*, each officer in respect of certain liabilities, which the director may incur as a result of, or by reason of (whether solely or in part), being or acting as a director of the Company. The Company has also agreed to maintain in favour of each director a directors' and officers' policy of insurance for the period that he or she is a director and for a period of 7 years after the officer ceases to be a director.

Signed in accordance with a resolution of the Board of Directors:



Mr Jeffrey Robert Whalan
Chairman

Date: 30 August 2011

AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

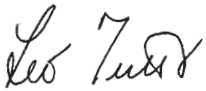
To the Directors of Australian Governance Masters Index Fund Limited:

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

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

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

William Buck
Chartered Accountants
ABN 16 021 300 521

A handwritten signature in black ink that reads 'L.E. Tutt'.

L.E. Tutt
Partner
Sydney, 30 August 2011

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2011 \$'000	2010 \$'000
Revenue	2	3,917	596
Realised (loss)/gain on disposal of investments		(1,547)	12
Management fee		(135)	(41)
Directors' fees		(100)	(34)
Other expenses		(24)	(1)
Profit before income tax		2,111	532
Income tax expense	3	(107)	(57)
Profit for the year attributable to owners		2,004	475
Other comprehensive income			
Unrealised gain/(loss) on investment		1,206	(2,293)
Provision for tax on unrealised gain/(loss)		(362)	688
Total other comprehensive income/(loss) for the year, net of tax		844	(1,605)
Total comprehensive income/(loss) for the year attributable to owners		2,848	(1,130)
Earnings per share			
Basic earnings per share (cents)	12	6.61	5.94
Diluted earnings per share (cents)	12	6.61	5.94

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2011 \$'000	2010 \$'000
Assets			
<i>Current</i>			
Cash and cash equivalents	5	2,961	441
Other receivables	6	442	295
Total Current Assets		3,403	736
<i>Non-Current</i>			
Financial assets	7	54,474	29,656
Deferred tax assets	8	698	917
Total Non-current Assets		55,172	30,573
Total Assets		58,575	31,309
Liabilities			
<i>Current</i>			
Trade and other payables	9	19	35
Total Current Liabilities		19	35
Total Liabilities		19	35
Net Assets		58,556	31,274
Equity			
Issued capital	10	58,359	32,610
Reserve	11	(761)	(1,605)
Retained earnings		958	269
Total Equity		58,556	31,274

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

STATEMENT OF CHANGES IN EQUITY

	Notes	Issued capital \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at incorporation		–	–	–	–
Shares issued	10	33,279	–	–	33,279
Issue costs (net of tax)	10	(669)	–	–	(669)
Dividends paid	4	–	–	(206)	(206)
Total comprehensive income for the year					
Profit for the year		–	–	475	475
<i>Other comprehensive income</i>					
Net change in fair value of available-for-sale financial assets, net of tax		–	(1,605)	–	(1,605)
Balance at 30 June 2010		32,610	(1,605)	269	31,274
Balance at 1 July 2010		32,610	(1,605)	269	31,274
Shares issued	10	26,331	–	–	26,331
Issue costs (net of tax)	10	(582)	–	–	(582)
Dividends paid	4	–	–	(1,315)	(1,315)
Total comprehensive income for the year					
Profit for the year		–	–	2,004	2,004
<i>Other comprehensive income</i>					
Net change in fair value of available-for-sale financial assets, net of tax		–	844	–	844
Balance at 30 June 2011		58,359	(761)	958	58,556

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



STATEMENT OF CASH FLOWS

	Notes	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Interest received from bank		49	31
Dividends received		3,657	351
Payments to suppliers		(144)	(52)
Net cash flows provided by operating activities	13 (a)	3,562	330
Cash flows from investing activities			
Proceeds from disposal of investments		2,021	150
Payments for purchase of investments		(27,186)	(32,087)
Net cash flows (used in) investing activities		(25,165)	(31,937)
Cash flows from financing activities			
Dividends paid		(916)	(206)
Proceeds from shares issues		25,932	33,279
Payments of issue costs		(893)	(1,025)
Net cash flows provided by financing activities		24,123	32,048
Net increase in cash and cash equivalents		2,520	441
Cash and cash equivalents at beginning of year		441	–
Cash and cash equivalents at end of the year	13 (b)	2,961	441

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

NOTES TO THE FINANCIAL STATEMENTS

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

The financial statements were approved for issue in accordance with a resolution of the directors on 30 August 2011.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

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

The comparative period for the Company is from 30 November 2009, being the date of incorporation, to 30 June 2010.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The accounting policies set out below have been consistently applied to all years presented.

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the Company for the annual reporting year ending 30 June 2011. The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial applications:

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON FINANCIAL REPORT	APPLICATION DATE FOR COMPANY
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. These requirements improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of AASB 139.	Annual period beginning on or after 1 January 2013	An irrevocable election may be made on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.	1 July 2013
AASB 124 (Revised)	Related Party Disclosure (December 2009)	The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. This amendment is applied retrospectively.	Annual period beginning on or after 1 January 2011	Application of this standard will not affect any of the amounts recognised in the financial statements.	1 July 2011
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from Annual Improvement Project	This standard details numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project.	Annual period beginning on or after 1 January 2011	Application of this standard is not expected to impact the Company.	1 July 2011

NOTES TO THE FINANCIAL STATEMENTS

A) INCOME TAX

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

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

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

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

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

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

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


Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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

B) FINANCIAL INSTRUMENTS

i) Recognition and initial measurement

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



Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

ii) Derecognition

Financial assets are derecognised where the contractual rights to the receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

iii) Financial assets at fair value through profit and loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

v) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities, and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

vi) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed determinable payments. Available-for-sale financial assets are valued at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

vii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

viii) Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the Statement of Comprehensive Income unless they are designated as hedges.

ix) Fair value

Fair value is determined based on fair value (being the redemption value) for all investments. Valuation techniques are applied to determine the fair value of these investments, including recent arm's length transactions, reference to similar instruments and option pricing models when the redemption price is not available.

x) Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the Statement of Comprehensive Income on equity instruments are not reversed through the Statement of Comprehensive Income.

C) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Functional and presentation currency

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

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the Statement of Comprehensive Income.

D) CASH AND CASH EQUIVALENTS

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



E) REVENUE

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

Interest income

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

Dividends

Revenue is recognised when the Company's right to receive the payment is established.
All revenue is stated net of the amount of goods and services tax (GST).

F) TRADE AND OTHER PAYABLES

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

G) GOODS AND SERVICES TAX (GST)

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

The Company qualifies for Reduced Input Tax Credits (RITCs) at a rate of 75%; hence expenses have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office.

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

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

H) PROVISIONS

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

NOTES TO THE FINANCIAL STATEMENTS

I) EARNINGS PER SHARE

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

J) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Company.

K) KEY ESTIMATES - IMPAIRMENT

The Board and Manager regularly review the investments held in the Company's portfolio and where it believes that impairment has occurred or is likely to occur, will normally seek to exit the position.

The Company follows the guidance of AASB 139 *Financial Instruments: Recognition and Measurement* in determining when an available-for-sale financial asset is impaired. This determination requires significant judgment.

In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near term business outlook for the investee including factors such as industry and sector performance, and operational and financing cash flows.

The Company is a long-term investor and does not regard short-term or cyclical movements in the share price of its investments as evidence of impairment.

No impairment has been recognised in respect of financial assets.

L) KEY JUDGMENTS - PROVISION FOR IMPAIRMENT OF RECEIVABLES

No provisions for impairment of receivables have been recognised in the accounts as the nature of the balances indicates that collectability is not an issue.

M) COMPARATIVE FIGURES

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

N) OPERATING SEGMENT

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



2. REVENUE

	2011 \$'000	2010 \$'000
Operating activities		
Dividends received	3,863	559
Interest received	51	37
Interest received	3	–
	3,917	596
Dividend revenue from:		
Cash dividends		
- other corporations	3,863	559
Total dividend revenue	3,863	559

3. INCOME TAX EXPENSE

	2011 \$'000	2010 \$'000
a) The components of tax expense comprise:		
Current tax	–	–
Deferred tax	107	57
	107	57
b) Prima facie tax/(tax benefit) on profit/(loss) from ordinary activities before income tax at 30% (2010: 30%)	633	160
Add tax effect of:		
- Capital loss on sale of investments	352	–
- Non-deductible expenses	114	–
Less tax effect of:		
- Rebateable franked dividends	(992)	(102)
	107	58
The applicable weighted average effective tax rates are	30%	30%

NOTES TO THE FINANCIAL STATEMENTS

4. DIVIDENDS PAID

	2011 \$'000	2010 \$'000
Distributions paid		
Fully franked dividend of 1 cent per share paid on 8 June 2010	–	206
Fully franked dividend of 1.5 cent per share paid on 28 October 2010	438	–
Fully franked dividend of 2.5 cent per share paid on 4 May 2011	877	–
	1,315	206
Total dividends per share for the period	\$0.04	\$0.01

The tax rate at which paid dividends have been franked is 30% (2010: 30%)

Franking credit balance

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

Franking account balance as at the end of the financial year at 30% (2010: 30%)	907	38
Franking credits attached to dividend receivables as at the end of the financial year	147	78
	1,054	116

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

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

5. CASH AND CASH EQUIVALENTS

	2011 \$'000	2010 \$'000
Current		
Cash at bank and on hand	2,961	441
	2,961	441

The weighted average interest rate on cash at bank is 5.70% (2010: 5.00%) as at period end.

6. OTHER RECEIVABLES

	2011 \$'000	2010 \$'000
Current		
Dividends receivable	414	208
Interest receivable	10	6
GST refundable	18	81
	442	295

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

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

7. FINANCIAL ASSETS

	2011 \$'000	2010 \$'000
Non-Current		
Available-for-sale financial assets		
- at fair value	54,474	29,656
	54,474	29,656

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL ASSETS (CONT.)

	2011 \$'000	2010 \$'000
Reconciliation of Financial Assets		
Carrying amount at the beginning of the year	29,656	–
Additions	27,181	31,949
Revaluation to fair value	1,206	(2,293)
Disposals	(3,569)	–
	54,474	29,656

8. DEFERRED TAX ASSETS

	2011 \$'000	2010 \$'000
Non-Current		
Deferred tax assets comprise:		
Transaction costs	372	229
Fair value adjustments	326	688
	698	917
Movements:		
Balance at 1 July	917	–
Charged to the profit and loss	(107)	(57)
Credited to equity	(112)	974
	698	917

9. TRADE AND OTHER PAYABLES

	2011 \$'000	2010 \$'000
Current		
Accrued liabilities	15	32
Other payables	4	3
	19	35

10. ISSUED CAPITAL

	2011 \$'000	2010 \$'000
36,680,983 fully paid ordinary shares (2010: 20,605,428)	59,610	33,279
a) Issued shares		
Balance at beginning of year	32,610	–
Share issues	26,331	33,279
Issue costs (net of tax)	(582)	(669)
Balance at end of the year	58,359	32,610

NOTES TO THE FINANCIAL STATEMENTS

10. ISSUED CAPITAL (CONT.)

		2011 No.	2010 No.
b) Movement in ordinary shares			
Date	Details		
1 July	Opening balance	20,605,428	–
13 November 2009	Ordinary shares issues	–	1
1 February 2010	Ordinary shares issues	–	17,950,462
29 March 2010	Ordinary shares issues	–	2,614,949
8 June 2010	Ordinary shares issues (i)	–	40,016
11 August 2010	Ordinary shares issues	4,770,972	–
13 September 2010	Ordinary shares issues	3,806,459	–
28 October 2010	Ordinary shares issues (ii)	87,231	–
1 November 2010	Ordinary shares issues	1,026,930	–
20 December 2010	Ordinary shares issues	2,011,065	–
1 March 2011	Ordinary shares issues	468,785	–
13 April 2011	Ordinary shares issues	2,321,130	–
4 May 2011	Ordinary shares issues (iii)	165,258	–
29 June 2011	Ordinary shares issues	1,417,725	–
30 June	Closing balance	36,680,983	20,605,428

i) In respect of the dividend paid on 8 June 2010, 40,016 ordinary shares were issued at \$1.510 each, as part of the Dividend Reinvestment Plan.

ii) In respect of the dividend paid on 28 October 2010, 87,231 ordinary shares were issued at \$1.540 each.

iii) In respect of the dividend paid on 4 May 2011, 165,258 ordinary shares were issued at \$1.599 each.

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

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

The Company has authorised share capital amounting to 36,680,983 ordinary shares of no par value as at 30 June 2011.

CAPITAL MANAGEMENT

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

The Company's capital will fluctuate with prevailing market movements and it may undertake a buy-back of its shares in the event that they trade at a sizable discount to NTA backing.

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

11. RESERVES

NATURE AND PURPOSE OF RESERVES

Asset Revaluation Reserve

Changes in fair value of available for sale financial assets after provision of deferred tax are recorded in this reserve. Amounts are reclassified to the profit and loss when the related asset is impaired or sold.

12. EARNINGS PER SHARE

A) EARNINGS USED IN CALCULATING EARNINGS PER SHARE

	2011 \$'000	2010 \$'000
Profit from continuing operations used to calculate basic and diluted earnings per share	2,004	475

B) WEIGHTED AVERAGE NUMBER OF SHARES

	2011 No.	2010 No.
Weighted average number of ordinary shares outstanding during the year used to calculate basic earnings per share	30,327,323	7,996,410
Effect of dilution	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	30,327,323	7,996,410

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

NOTES TO THE FINANCIAL STATEMENTS

13. CASH FLOW INFORMATION

A) RECONCILIATION STATEMENT

	2011 \$'000	2010 \$'000
Profit after tax	2,004	475
Add/(less):		
- Loss/(Profit) on disposal of investments	1,547	(12)
Changes in assets and liabilities:		
- (Increase) in other receivables	(80)	(225)
- Decrease in tax assets	107	57
- (Decrease)/Increase in trade payables and accruals	(16)	36
Cash flow from operations	3,562	331

The Company does not have any formal loan facilities in place at the date of these financial statements (2010: Nil).

B) RECONCILIATION OF CASH

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

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

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

	2011 \$'000	2010 \$'000
Cash at bank and on hand	2,961	441
	2,961	441

14. RELATED PARTY TRANSACTIONS

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

Mr Jeffrey Robert Whalan – Non Executive Chairman

Mr Maximilian Sean Walsh – Non Executive Director

Mr David Charles Hawes – Non Executive Director

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

Dixon Advisory & Superannuation Services Limited

Mr Maximilian Walsh is director of the Company and director of the Manager and Issue Manager, Dixon Advisory & Superannuation Services Limited. The Manager is entitled to receive an annualised management fee of 0.49%, calculated with reference to the gross value of the Portfolio less fees payable to directors of the Company for the performance of their duties as directors and fees payable to the Auditor in connection with the audit of the annual financial statements and the review of the half-yearly financial statements of the Company.

A) KEY MANAGEMENT PERSONNEL RELATED ENTITY TRANSACTION

Key management personnel and their related entities hold directly, indirectly or beneficially as at the end of the reporting date the following interests in the Company:

	Ordinary shares	
	Direct	Indirect
Jeffrey Whalan	–	50,231
Maximilian Walsh	1	50,000
David Hawes	–	135,000

None of the directors hold options over the ordinary shares of the Company (2010: Nil).

B) MANAGEMENT FEE

As the Manager of Australian Governance Masters Index Fund Limited, management fee paid or payable to Dixon Advisory & Superannuation Services Limited for the year end 30 June 2011 was \$145,000 (2010: \$44,000), inclusive of GST. The management fee owed by the Company to Dixon Advisory & Superannuation Services Limited as at 30 June 2011 was \$15,000 (2010: \$8,000).

C) TRANSACTION COSTS

In connection with the provision of services as Issue Manager, the Issue Manager is entitled to receive structuring and arranging fees of 3.3% (inclusive of GST) of the total funds raised in share placements. The handling fee and commission for the year ended 30 June 2011 were \$856,000 (2010: \$914,000), inclusive of GST.

NOTES TO THE FINANCIAL STATEMENTS

D) BROKERAGE

As the investment broker, Dixon Advisory & Superannuation Services Limited receives brokerage of 0.25% on all transactions undertaken by Australian Governance Masters Index Fund Limited in managing the investment portfolio of the Company. During the year, the brokerage paid was \$77,000 (2010: \$88,000), inclusive of GST. The directors of the Company are satisfied that the brokerage rate is in line with market rates.

15. KEY MANAGEMENT PERSONNEL

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

Mr Jeffrey Robert Whalan – Non Executive Chairman

Mr Maximilian Sean Walsh – Non Executive Director

Mr David Charles Hawes – Non Executive Director

KEY MANAGEMENT PERSONNEL REMUNERATION

Directors	2011		2010	
	Short Term Employee Benefits \$ '000	Post Employment Benefits \$ '000	Short Term Employee Benefits \$ '000	Post Employment Benefits \$ '000
Jeffrey Whalan	46	4	17	–
Maximilian Walsh	–	–	–	–
David Hawes	23	27	17	–
	69	31	34	–

NUMBER OF SHARES HELD BY KEY MANAGEMENT PERSONNEL

Directors	Balance at 1 July 2010	Received as remuneration	Net change other	Balance at 30 June 2011
	No.	No.	No.	No.
Jeffrey Whalan	35,231	–	15,000	50,231
Maximilian Walsh	50,001	–	–	50,001
David Hawes	125,000	–	10,000	135,000
Total	210,232	–	25,000	235,232

	Balance at incorporation	Received as remuneration	Net change other	Balance at 30 June 2010
Directors	No.	No.	No.	No.
Jeffrey Whalan	–	–	35,231	35,231
Maximilian Walsh	–	–	50,001	50,001
David Hawes	–	–	125,000	125,000
Total	–	–	210,232	210,232

None of the key management personnel hold options over the ordinary shares of the Company (2010: Nil).

16. FINANCIAL RISK MANAGEMENT

A) FINANCIAL RISK MANAGEMENT POLICIES

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

i) Liquidity risk

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

The Company's exposure to liquidity risk is minimal. The Company has no borrowings as at 30 June 2011 (2010: Nil) and cash inflows from dividends are received to meet the operating expense obligations of the Company. Listed securities can be readily traded on the Australian Securities Exchange, in the case the Company needs to convert investments into cash.

ii) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the end of the reporting period to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Company does not have any material credit risk exposure to a single receivable or group of debtors under financial instruments entered into by the Company.

There are no amounts of collateral held as security at 30 June 2011 (2010: Nil).

iii) Market price risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

B) FINANCIAL INSTRUMENTS

i) Financial instrument composition and maturity analysis:

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

	2011 \$'000	Weighted Average Effective Interest Rate	2010 \$'000	Weighted Average Effective Interest Rate
Financial Assets				
Cash and cash equivalents	2,961	5.70%	441	5.00%
Other receivables	442	–	295	–
Available for sale financial assets	54,474	–	29,656	–
	57,877		30,392	

ii) Net Fair Values

The net fair values of:

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

The aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance sheet date are disclosed in the statement of financial position and in the notes to the financial statements.

As of 1 July 2009, the Company has adopted the amendment to *AASB 7: Financial Instruments: Disclosures* which 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 liabilities that are not based on observable market data (unobservable inputs) (level 3).

Financial assets at fair value through other comprehensive income	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Equity investments - 30 June 2011	54,474	–	–	54,474
Equity investments - 30 June 2010	29,656	–	–	29,656

iii) Sensitivity Analysis

Market Price Risk

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

At 30 June 2011, the effect on profit and equity as a result of changes in market price, with all other variables remaining constant would be as follows:

	2011 \$'000	2010 \$'000
Change in profit before tax		
Increase in market price by 5%		
- Financial asset	–	–
Increase in market price by 10%		
- Financial asset	–	–
Change in equity		
Increase in market price by 5%		
- Financial asset	2,724	1,483
Increase in market price by 10%		
- Financial asset	5,447	2,966

17. AUDITOR'S REMUNERATION

The auditor of the Company is William Buck. Under the Management Agreement, the Manager, Dixon Advisory & Superannuation Services Limited, is liable for all audit and accounting costs of the Company, hence there is no accrued liability for these expenses in the Company's financial statements. The fee in connection with the audit and review of the financial statements of the Company received or receivable by William Buck is \$28,000 for the year ended 30 June 2011 (2010: \$16,000). Payments made to William Buck Pty Ltd for tax and other services for the year ended 30 June 2011 amounted to \$7,300 (2010: \$13,350).

18. CONTINGENT LIABILITIES

The directors are not aware of any potential liabilities or claims against the Company as at the date of these financial statements are made up (2010: Nil).

19. EVENTS AFTER THE REPORTING PERIOD

There have not arisen in the interval between the end of the financial year and the date of this report any item, transaction or recent event of material and unusual nature likely, in the opinion of the Company, to significantly affect the operations of the Company, the result of those operations, of the state of affairs of the Company, in future financial years.

20. COMPANY DETAILS

THE REGISTERED OFFICE OF THE COMPANY IS:

Australian Governance Masters Index Fund Limited

Level 15, 100 Pacific Highway
North Sydney NSW 2060

THE PRINCIPAL PLACE OF BUSINESS IS:

Australian Governance Masters Index Fund Limited

Level 15, 100 Pacific Highway
North Sydney NSW 2060

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements set out on pages 20 to 44 and the additional disclosures included in the Directors' Report designated as "Remuneration Report", as set out on pages 16 and 18, are in accordance with the *Corporations Act 2001*, including:
 - a) Giving a true and fair view of the Company's financial position as at 30 June 2011 and of its performance, as represented by the results of the operations and the cash flows, for the financial year ended on that date;
 - b) In compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and
 - c) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. The directors of the Manager, Dixon Advisory & Superannuation Services Limited have declared that:
 - a) The financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b) The financial statements and notes for the financial year comply with the accounting Standards; and
 - c) The Financial statements and notes for the financial year give a true and fair view.
3. As at the date of this declaration, in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors



Mr Jeffrey Robert Whalan

Chairman

Date: 30 August 2011

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AUSTRALIAN GOVERNANCE MASTERS INDEX FUND LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Australian Governance Masters Index Fund Limited, which comprises the statements of financial position as at 30 June 2011, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion:

- a) the financial report of Australian Governance Masters Index Fund Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 16 to 18 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Australian Governance Masters Index Fund Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

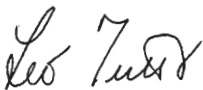
Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Australian Governance Masters Index Fund Limited for the year ended 30 June 2011 included on Australian Governance Masters Index Fund Limited's web site. The company's directors are responsible for the integrity of the Australian Governance Masters Index Fund Limited's web site. We have not been engaged to report on the integrity of the Australian Governance Masters Index Fund Limited's web site. The auditor's report refers only to the financial report and remuneration report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.



William Buck

Chartered Accountants
ABN 16 021 300 521



L.E. Tutt

Partner
Sydney, 30 August 2011

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STOCK EXCHANGE INFORMATION

STATEMENT OF QUOTED SECURITIES AS AT 31 JULY 2011

- There are 1,253 shareholders holding a total 36,680,983 ordinary fully paid shares.
- The 20 largest shareholders between them hold 10.795% of the total shares on issue.
- Voting rights are each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

DISTRIBUTION OF QUOTED SHARES AS AT 31 JULY 2011

Distribution of Shareholders Category (size of holding)	Number of Shareholders
1 – 1,000	3
1,001 – 5,000	96
5,001 – 10,000	207
10,001 – 100,000	902
100,001 and over	45
Total Holders	1,253

SUBSTANTIAL SHAREHOLDINGS AS AT 31 JULY 2011

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

DIRECTORS' SHAREHOLDINGS

As at 30 June 2011 directors of the Company held a relevant interest in the following securities on issue by the Company.

Director	Ordinary shares
Jeffrey Whalan	50,231 ordinary shares
Maximilian Walsh	50,001 ordinary shares
David Hawes	135,000 ordinary shares

RESTRICTED SECURITIES

There are no restricted securities on issue by the Company.

TOP 20 HOLDERS OF ORDINARY SHARES AT 31 JULY 2011

Shareholder Name	Number of shares held	% of total
RG & MJ WILSON S/F A/C	324,000	0.883
ARISTIDES FAMILY BTML A/C	312,500	0.852
MR WHITE PENSION FUND A/C	250,000	0.682
THE GALLERY SUPER FUND A/C	245,175	0.668
VIDEO ED EXECUTIVES S/F A/C	237,500	0.647
G & R SEABURY S/FUND A/C	232,271	0.633
JOHNSON SUPER FUND A/C	214,000	0.583
COLLIN FAMILY SUPER FUND A/C	207,000	0.564
THE P AND E HUGHES S/F A/C	207,000	0.564
CHAN FAMILY SUPER FUND A/C	204,689	0.558
SARBRO SUPER FUND A/C	173,000	0.472
G & R HASSALL SUPER FUND A/C	159,540	0.435
J & J KRUGER SUPER FUND A/C	158,500	0.432
A S & J M CARTER S/F A/C	156,250	0.426
G & T JOHNSON SUPER FUND A/C	156,250	0.426
M & E TAYLOR SUPER FUND A/C	151,500	0.413
KIERS & MENSCH S/F A/C	150,000	0.409
D & E BAILIE SUPER FUND A/C	146,000	0.398
THE D & S HANKE S/F A/C	137,685	0.375
TIM HIGGINS S/F A/C	137,000	0.373
Total Held by Top 20 Holders of Ordinary Shares	3,959,860	10.795

INVESTMENTS AT MARKET VALUE

Asset Name	Investment Value	%
BHP BILLITON LIMITED	8,716,200	16.00%
COMMONWEALTH BANK OF AUSTRALIA	4,783,620	8.78%
WESTPAC BANKING CORPORATION	3,933,720	7.22%
ANZ BANKING GROUP LIMITED	3,349,104	6.15%
NATIONAL AUSTRALIA BANK LIMITED	3,261,426	5.99%
WESFARMERS LIMITED	2,173,508	3.99%
RIO TINTO LIMITED	2,152,678	3.95%
WOOLWORTHS LIMITED	1,969,445	3.62%
TELSTRA CORPORATION LIMITED	1,881,381	3.45%
NEWCREST MINING LIMITED	1,717,615	3.15%
WOODSIDE PETROLEUM LIMITED	1,428,891	2.62%
ORIGIN ENERGY LIMITED	1,145,580	2.10%
QBE INSURANCE GROUP LIMITED	1,070,414	1.97%
CSL LIMITED	1,057,722	1.94%
AMP LIMITED	816,757	1.50%
SANTOS LIMITED	696,457	1.28%
MACQUARIE GROUP LIMITED	633,219	1.16%
BRAMBLES LIMITED	614,306	1.13%
SUNCORP-METWAY LIMITED	606,886	1.11%
FOSTER'S GROUP LIMITED	580,673	1.07%
ORICA LIMITED	576,031	1.06%
AMCOR LIMITED	515,153	0.95%
STOCKLAND TRUST GROUP	476,527	0.87%
TRANSURBAN GROUP	440,638	0.81%

Asset Name	Investment Value	%
ILUKA RESOURCES LIMITED	425,608	0.78%
OIL SEARCH LIMITED	423,672	0.78%
INSURANCE AUSTRALIA GROUP LIMITED	416,752	0.77%
AGL ENERGY LIMITED	392,019	0.72%
INCITEC PIVOT LIMITED	367,175	0.67%
WORLEYPARSONS LIMITED	342,947	0.63%
COCA-COLA AMATIL LIMITED	339,163	0.62%
GPT GROUP	315,270	0.58%
ALUMINA LIMITED	311,687	0.57%
ASX LIMITED	307,819	0.57%
SONIC HEALTHCARE LIMITED	287,503	0.53%
LEND LEASE GROUP	275,451	0.51%
ASCIANO GROUP	266,000	0.49%
DEXUS PROPERTY GROUP	251,264	0.46%
COMPUTERSHARE LIMITED	248,679	0.46%
OZ MINERALS LIMITED	244,992	0.45%
MIRVAC GROUP	239,675	0.44%
COCHLEAR LIMITED	238,032	0.44%
QANTAS AIRWAYS LIMITED	234,315	0.43%
TELECOM CORPORATION	196,039	0.36%
TOLL HOLDINGS LIMITED	185,561	0.34%
BENDIGO AND ADELAIDE BANK LIMITED	180,248	0.33%
METCASH LIMITED	174,885	0.32%
BORAL LIMITED	173,268	0.32%



Asset Name	Investment Value	%
TATTS GROUP LIMITED	167,527	0.31%
ECHO ENTERTAINMENT GROUP	160,487	0.29%
SIMS METAL MANAGEMENT LIMITED	158,268	0.29%
ONESTEEL LIMITED	137,757	0.25%
JAMES HARDIE INDUSTRIES SE	136,515	0.25%
TABCORP HOLDINGS LIMITED	128,468	0.24%
TREASURY WINE ESTATES	127,786	0.23%
UGL LIMITED	127,293	0.23%
CHALLENGER GROUP LIMITED	124,656	0.23%
SEEK LIMITED	124,537	0.23%
BLUESCOPE STEEL LIMITED	122,568	0.23%
FAIRFAX MEDIA LIMITED	117,427	0.22%
PALADIN ENERGY LTD	115,245	0.21%
DAVID JONES LIMITED	113,875	0.21%
BOART LONGYEAR LIMITED	110,072	0.20%
ANSELL LIMITED	108,961	0.20%
APA GROUP	106,007	0.19%
CONNECTEAST GROUP	101,490	0.19%
BANK OF QUEENSLAND LIMITED	99,421	0.18%
CALTEX AUSTRALIA LIMITED	93,104	0.17%
MACARTHUR COAL LIMITED	84,227	0.15%
CSR LIMITED	82,705	0.15%
GOODMAN FIELDER LIMITED	82,426	0.15%
PERPETUAL TRUSTEES AUSTRALIA LIMITED	67,535	0.12%

Asset Name	Investment Value	%
BILLABONG INTERNATIONAL LIMITED	63,868	0.12%
ARISTOCRAT LEISURE LIMITED	53,414	0.10%
TEN NETWORK HOLDINGS LIMITED	52,923	0.10%
SEVEN WEST MEDIA	34,875	0.06%
AWE LIMITED	34,541	0.06%
TOTAL	54,473,953	100%



CORPORATE DIRECTORY

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

DIRECTORS

Mr Jeffrey Robert Whalan
(non-executive chairman)
Mr Maximilian Sean Walsh
(non-executive director)
Mr David Charles Hawes
(non-executive director)

SECRETARY

Ms Hannah Chan

REGISTERED OFFICE

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North Sydney NSW 2060
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F 1300 457 349

PRINCIPAL OFFICE

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