

**WESTOZ INVESTMENT COMPANY LIMITED**

**A.B.N. 99 113 332 942**

**HALF YEAR REPORT**

**FOR THE PERIOD ENDED 31 DECEMBER 2005**

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## **CORPORATE DIRECTORY**

### **REGISTERED OFFICE**

Level 1, The Ernst & Young Building  
11 Mounts Bay Road  
PERTH WA 6000

Telephone: (08) 9321 7877

Facsimile: (08) 9321 8288

Website: [www.westozfunds.com.au](http://www.westozfunds.com.au)

### **AUDITORS**

Ernst & Young  
11 Mounts Bay Road  
PERTH WA 6000

### **BANKERS**

Westpac Banking Corporation  
109 St George's Terrace  
PERTH WA 6000

### **SHARE REGISTRY**

Computershare Investor Services Pty Ltd  
Level 2, 45 St Georges Terrace  
PERTH WA 6000

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

### **BOARD OF DIRECTORS**

#### **Peter Diamond**

Non Executive Chairman

#### **Philip Rees**

Executive Director

#### **Jay Hughes**

Non Executive Director

#### **Terry Budge**

Non-Executive Director

## **DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 December 2005**

Your directors submit their report for the half-year ended 31 December 2005.

### **1. DIRECTORS**

The names of the directors of the Company in office during the financial period and until the date of this report are as follows: -

Peter Diamond  
Philip Rees  
Jay Hughes  
Terry Budge

### **2. REVIEW AND RESULTS OF OPERATIONS**

Highlights of the company's operations during the six months ended 31 December 2005 are as follows:

- Initial investments were made in the equity market. At the end of the period, approximately 47% of assets were invested in listed shares. The majority of other assets are held in short term cash deposits;
- A net profit after tax of \$3,625,464 was recorded for the period. This included realised gains on investments, interest income, dividend income and changes in the fair value of assets held as at 31 December 2005;
- Net tangible asset backing per share increased from \$1.00 to \$1.08 over the period. This figure makes allowance for all costs and provision for tax on unrealised investment gains; and
- 13,027,982 additional shares were issued to applications made under a prospectus. These shares are issued at monthly intervals at the prevailing net asset backing figure per share. This prospectus remains open until the earlier of 31 May 2006 or the issue of a total of 100 million shares.

Following the completion of the half-year to 31 December 2005, the directors remain confident that the Company's objectives will be met over its investment horizon.

### **3. AUDITORS INDEPENDENCE DECLARATION**

The auditors independence declaration under section 307C of the Corporations Act 2001 is included on page 15 and forms part of the Westoz Investment Company Limited's report for the half year ended 31 December 2005.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.



**Peter Diamond**  
**Chairman**  
**Dated: 14 February 2006**

**CONDENSED INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 December 2005**

|  | Note | 31/12/2005<br>\$        |
|--|------|-------------------------|
| <b>REVENUE</b>   |      |                         |
| Interest Income  |      | 1,000,130               |
| Dividend income  |      | 227,297                 |
| Changes in the fair value of investments                     | 3    | 4,382,887               |
| <b>Total Investment Income</b>                               |      | <u>5,610,314</u>        |
| <b>EXPENSES</b>  |      |                         |
| Managers fees  |      | 358,391                 |
| Audit fees   |      | 16,995                  |
| Director fees  |      | 16,500                  |
| Professional fees  |      | 6,904                   |
| Other Expenses   |      | 32,290                  |
| <b>Total expenses</b>  |      | <u>431,080</u>          |
| <b>PROFIT BEFORE INCOME TAX EXPENSE</b>                      |      | 5,179,234               |
| Income tax expense   |      | 1,496,702               |
| <b>NET PROFIT ATTRIBUTABLE TO MEMBERS<br/>OF THE COMPANY</b> |      | <u><u>3,682,532</u></u> |
| <b>Earnings per share (cents per share)</b>                  |      |                         |
| - Basic  |      | 7.33                    |
| - Diluted  |      | 7.33                    |

**CONDENSED BALANCE SHEET  
AT 31 December 2005**

|                                      | Note | 31/12/2005  | 30/06/2005  |
|--------------------------------------|------|-------------|-------------|
|                                      |      | \$          | \$          |
| <b>CURRENT ASSETS</b>                |      |             |             |
| Cash and Cash Equivalents            |      | 35,762,900  | 43,980,792  |
| Investments                          |      | 27,415,169  | -           |
| Other                                |      | 25,288      | 2,975       |
|                                      |      | <hr/>       | <hr/>       |
| <b>TOTAL CURRENT ASSETS</b>          |      | 63,203,357  | 43,983,767  |
|                                      |      | <hr/>       | <hr/>       |
| <b>TOTAL ASSETS</b>                  |      | 63,203,357  | 43,983,767  |
|                                      |      | <hr/>       | <hr/>       |
| <b>CURRENT LIABILITIES</b>           |      |             |             |
| Trade and Other Payables             |      | 442,082     | 148,372     |
| Income Tax Payable                   |      | 635,750     | 64,587      |
| Provisions                           | 9    | 80,000      | -           |
|                                      |      | <hr/>       | <hr/>       |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | 1,157,832   | 212,959     |
|                                      |      | <hr/>       | <hr/>       |
| <b>NON -CURRENT LIABILITIES</b>      |      |             |             |
| Deferred Income Tax Liability        |      | 925,539     | -           |
|                                      |      | <hr/>       | <hr/>       |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |      | 925,539     | -           |
|                                      |      | <hr/>       | <hr/>       |
| <b>TOTAL LIABILITIES</b>             |      | 2,083,371   | 212,959     |
|                                      |      | <hr/>       | <hr/>       |
| <b>NET ASSETS</b>                    |      | 61,119,986  | 43,770,808  |
|                                      |      | <hr/> <hr/> | <hr/> <hr/> |
| <b>EQUITY</b>                        |      |             |             |
| Issued Capital                       | 4    | 57,293,646  | 43,627,000  |
| Retained Earnings                    |      | 3,826,340   | 143,808     |
|                                      |      | <hr/>       | <hr/>       |
| <b>TOTAL EQUITY</b>                  |      | 61,119,986  | 43,770,808  |
|                                      |      | <hr/> <hr/> | <hr/> <hr/> |

**CONDENSED CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 31 December 2005**

|   | Note | 31/12/2005   |
|---|------|--------------|
|   |      | \$           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>               |      |              |
| Interest received   |      | 1,000,130    |
| Dividends received  |      | 227,297      |
| Payments to suppliers and employees                       |      | (79,682)     |
|   |      | <hr/>        |
| NET CASH FLOWS FROM OPERATING ACTIVITIES                  |      | 1,147,745    |
|   |      | <hr/>        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>               |      |              |
| Proceeds from sale of investments                         |      | 17,279,508   |
| Payments for purchases of investments                     |      | (40,311,791) |
|   |      | <hr/>        |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES               |      | (23,032,283) |
|   |      | <hr/>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>               |      |              |
| Proceeds from issue of ordinary shares                    |      | 13,666,646   |
|   |      | <hr/>        |
| NET CASH FLOWS FROM FINANCING ACTIVITIES                  |      | 13,666,646   |
|   |      | <hr/>        |
| NET DECREASE IN CASH HELD                                 |      | (8,217,892)  |
|   |      | <hr/>        |
| Cash and cash equivalents at the beginning of the period  |      | 43,980,792   |
|   |      | <hr/>        |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b> | 8    | 35,762,900   |
|   |      | <hr/> <hr/>  |

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**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 December 2005**

|                            | <b>Issued Capital</b> | <b>Retained Earnings</b> | <b>Total Equity</b> |
|----------------------------|-----------------------|--------------------------|---------------------|
|                            | \$                    | \$                       | \$                  |
| <b>At 1 July 2005</b>      | 43,627,000            | 143,808                  | 43,770,808          |
| Issue of Share Capital     | 13,666,646            | -                        | 13,666,646          |
| Profit for the period      | -                     | 3,682,532                | 3,682,532           |
| <b>At 31 December 2005</b> | <b>57,293,646</b>     | <b>3,826,340</b>         | <b>61,119,986</b>   |

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005****1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Westoz Investment Company Limited as at 30 June 2005, which was prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS).

It is also recommended that the half-year financial report be considered together with any public announcements made by Westoz Investment Company Limited during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**(a) Basis of Accounting**

The half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis except for investments which are carried at fair value.

**(b) Statement of Compliance**

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AASB 134 "Interim Financial Reporting" ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards IAS 34 "Interim Financial Reporting".

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(i) Investments**

All investments are initially recognised at fair value.

When financial assets are initially recognized they are recorded at fair value, plus in the case of investments not at fair value through the profit and loss, directly attributable transaction costs. The company determines the classification of its financial assets after initial recognition and when allowed and appropriate, re-evaluates this designation at each financial year end.

*Financial assets at fair value through profit or loss.*

Financial assets in the scope of AASB139 "Financial Instruments; Recognition and Measurement" are classified as financial assets at fair value through profit or loss.

For investments that are actively traded in organised financial markets, fair value is determined by reference to the Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Gains and losses on investments at fair value through profit and loss are recognised in the income statement.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognized on the trade date i.e. the date that the Company commits to purchase the asset

#### *Derecognition of financial assets*

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party lender under a “pass-through” arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### (ii) *Cash and cash equivalents*

Cash and short term deposits in the balance sheet comprise cash at bank and short term deposits, including bank bills with a maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### (iii) *Income Tax*

Deferred income tax is recognised on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred tax assets are re-assessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow all or part of the deferred income tax to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(iv) *Other Taxes*

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the taxation authority.

(v) *Revenue Recognition*

Revenue is recognised to the extent that 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 - revenue is recognised as interest accrues using the effective interest rate method which is the rate that exactly discounts estimated future cash flows through the expected life of the financial investment to the net carrying value of the financial asset.

Dividend Income – revenue is recognised when the Company's right to receive the payment is established. This is taken to be the date the share is quoted ex-dividend.

(vi) *Trade and Other Payables*

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid on future goods and services received, whether or not billed to the entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(vii) *Contributed Equity*

Ordinary share capital is recognised at the fair value of the consideration received by the company and is classified as equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(viii) *Earnings Per Share*

Basic earnings per share (EPS) is calculated as net profit attributed to ordinary equity holders divided by the weighted average number of ordinary shares outstanding during the period. The diluted EPS is not materially different from the basis EPS.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### *(ix) 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.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

### *(x) Comparative Period*

The company was incorporated on 11 March 2005 and an annual report was prepared for the period 11 March 2005 to 30 June 2005. This is the first half year report prepared. Accordingly comparatives in the Condensed Balance Sheet are shown as at 30 June 2005. No comparative period is available for the Condensed Income Statement, Condensed Cash Flow Statement and Condensed Statement of Changes in Equity.

31/12/05

\$

**3. CHANGES IN FAIR VALUE OF INVESTMENTS**

|  |           |
|--|-----------|
| Net realised gain on disposal of investments | 1,297,757 |
| Net unrealised gain on investments           | 3,085,130 |
|  | 4,382,887 |

**4. ISSUED CAPITAL**

|   | 31/12/05         |            | 30/6/05          |
|---|------------------|------------|------------------|
|   | \$               |            | \$               |
| <i>Ordinary Shares</i>                              |                  |            |                  |
| Issued and Fully Paid                               | 57,293,646       |            | 43,627,000       |
|   | <b>31/12/05</b>  |            | <b>30/6/05</b>   |
| <i>(b) Movements in ordinary shares on Issue</i>    | <b>Number of</b> | <b>\$</b>  | <b>Number of</b> |
|   | <b>Shares</b>    |            | <b>Shares</b>    |
| As at start of period                               | 43,765,100       | 43,627,000 | -                |
| - Issued at formation                               | -                | -          | 100              |
| - Initial offer                                     | -                | -          | 43,765,000       |
| Issued during the period under Continuing Offer (i) | 13,027,982       | 13,650,802 | 43,765,000       |
| Issue costs   |                  | 15,844     | (138,100)        |
|   | 56,793,082       | 57,293,646 | 43,765,100       |
|   |                  |            | 43,627,000       |

- (i) Additional shares may be issued under the prospectus up to a maximum of 100,000,000 until 14 May 2006 at a price equal to the higher of \$1.00 or the after tax net assets per share as determined by the Company.

Since balance date, a further 1,383,318 ordinary shares have been issued, raising \$1,516,945.

**5. SEGMENT INFORMATION****(a) Business Segment**

The Company operated in one business segment during the period as an investment company. The Company considers this business segment to be its primary segment.

**(b) Geographic Segment**

The Company operated in one geographical segment; Australia.

**6. CONTINGENT LIABILITIES**

The Company has no contingent liabilities.

**7. EVENTS SUBSEQUENT TO BALANCE DATE**

Apart from the information provided elsewhere in this report, no other material events have occurred subsequent to 31 December 2005.

## 8. NOTES TO THE STATEMENTS OF CASH FLOW

### (a) Reconciliation of Cash

Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows: -

|                          | 31/12/05<br>\$    |
|--------------------------|-------------------|
| Cash at Bank and in hand | 10,562,969        |
| Bank Bills               | 25,199,931        |
|                          | <u>35,762,900</u> |

## 9. RELATED PARTY DISCLOSURES

The Directors of Westoz Investment Company Limited during the period were Mr Peter Diamond, Mr Philip Rees, Mr Jay Hughes and Mr Terry Budge.

Westoz Investment Management Pty Ltd, a company of which Messrs Diamond, Rees and Hughes are Directors received management fees from the company for the management of its assets. A fee of \$278,391 was charged in the period for these services. In addition, a provision for the payment of a performance fee of \$80,000 was made. Any actual performance fee payable will not be determined until the completion of a full twelve month period to 30 June 2006.

These fees were charged in accordance with a management agreement, the terms of which have been disclosed in a prospectus lodged 15 April 2005.

Euroz Securities Limited, a company of which Messrs Diamond and Hughes are directors received brokerage fees for transactions undertaken by the company in respect of its investments. An amount of \$186,564 was paid in the period as brokerage to Euroz Securities Limited.

The above transactions were entered into on normal commercial terms.

## **DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Westoz Investment Company Limited, the directors declare that:

In the opinion of the directors:

- (a) the financial statements and notes of the economic entity:
  - (i) give a true and fair view of the economic entity's financial position as at 31 December 2005 and of the performance for the half-year ended on that date of the entity; and
  - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001; 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.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'Peter Diamond', written over a light blue horizontal line.

**Peter Diamond**  
**Chairman**  
**Dated: 14 February 2006**

**Auditor's Independence Declaration to the Directors of Westoz Investment Company Limited**

In relation to our review of the financial report of the Westoz Investment Company Limited for the half-year ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

*Ernst & Young*

Ernst & Young

*V. W. Tidy*

V W Tidy

Partner

Perth

Date: 14 February 2006

## Independent review report to the members of Westoz Investment Company Limited

### Scope

#### *The financial report and directors' responsibility*

The financial report comprises the balance sheet, income statement, cash flows statement, statement of changes in equity, and accompanying notes to the financial statements, and the directors' declaration of the Westoz Investment Company Limited (the Company), for the half year ended 31 December 2005.

The directors of Westoz Investment Company Limited are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Review approach*

We conducted an independent review of the financial report in order to express an opinion on it to the members of the company and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of the company's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance given is less than given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

### Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Westoz Investment Company Limited during the half year is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of Westoz Investment Company Limited at 31 December 2005 and of their performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



V W Tidy  
Partner  
Perth

Date: 14 February 2006