
...GROWTH EQUITIES...

**GROWTH EQUITIES IMPUTATION LIMITED
ABN 71 103 383 160**

**FINANCIAL STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011**

GROWTH EQUITIES IMPUTATION LIMITED DIRECTORS' REPORT

Your directors present their report on the Company for the year ended 30 June 2011.

Directors

The following persons were directors of Growth Equities Imputation Limited during the whole of the financial year and up to the date of this report:

Name

R B Lester
R D Lester
D P Hicks

Principal activities

During the year, the principal continuing activities of the Company consisted of investing into Australian listed securities.

Review of operations and results

The 2011 financial year saw a modest returns of 5.9% achieved by the Company's shareholders, \$0.099 of which was in the form of fully franked dividends per share. Other important statistics are as follows:

- Total revenue from continuing operations for the year \$1,414,075 (2010: \$231,917);
- Loss before income tax for the year \$295,469 (2010: Profit of \$576,016);
- Loss attributable to members for the year \$55,259 (2010: Profit of \$425,632);
- Positive shareholder return including dividends and franking credits before providing for tax on unrealised gains/losses of 5.9% (2010: Positive shareholder return of 25.5%);
- Positive shareholder return including dividends and franking credits after providing for tax on unrealised gains/losses of 4.33% (2010: Positive shareholder return of 18.53%).

The Company's top five share price performers were:

- McMillian Shakespeare Limited, up 104.3%;
- Ausdrill Limited, up 100.6%;
- Worley Parsons Limited, up 27.1%.
- Wellcom Group Limited, up 17.2%; and
- Wesfarmers Limited, up 11.2%;

The Board does not consider it appropriate to forecast movements in equity markets or the flow of funds into or out of the Company and accordingly provides no forecast for future performance.

The Company will maintain its existing investment strategies and objectives. The assets of the Company are managed with a strong philosophy of capital preservation based on detailed research and analysis to ensure each investment is highly profitable, conservatively financed and purchased at a deep discount to its assessed valuation. Whilst the Company endeavours to stay substantially invested through all investment cycles, it will allow cash balances to build up when it cannot identify attractive investments that meet its strict investment criteria. This naturally occurs as the market becomes overpriced, and then protects the Company during weak market periods.

The Company maintains a policy of endeavouring to distribute all available franking credits each year through the distribution of fully franked dividends. This is intended to occur after the finalisation of the June and December accounts.

As a result, your directors have resolved to pay a fully franked dividend to all shareholders registered on 30 June 2011. The dividend is 1.9 cents per share fully franked and will be paid before 31st of July 2011. Shareholders may choose to reinvest their dividend entitlement by participating in the Dividend Reinvestment Plan (DRP). The terms and conditions of this DRP are available on our website at www.growthequities.com.au or by calling the Company on (08) 9423 5120 to receive a copy in the mail.

GROWTH EQUITIES IMPUTATION LIMITED DIRECTORS' REPORT (Continued)

Dividends

Dividends paid to members during the financial year were as follows:

	2011 \$	2010 \$
Final ordinary dividend for the year ended 30 June 2010 of 4.1 cents per fully paid share was paid on 30 th August 2010	249,427	-
Interim ordinary dividend for the year ended 30 June 2011 of 3.9 cents per fully paid share was paid on 11 th January 2011	<u>235,065</u>	<u>-</u>
	<u>484,492</u>	<u>-</u>

Prior to the end of the financial year the directors have declared the payment of a final ordinary dividend of \$264,889 (1.9 cents per fully paid share) to be paid before 31st of July 2011.

The Company maintains a policy of endeavouring to distribute all available franking credits each year through the distribution of fully franked dividends. This is intended to occur after the finalisation of the June and December accounts.

Significant changes in the state of affairs

During the financial year, the Company purchased all of the issued capital of Growth Equities Accumulation Limited and subsequently transferred its investment and other assets to the Company, thereby more than doubling the operations of the Company. As part of this process the Company issued its own shares to the shareholders of Growth Equities Accumulation Limited as consideration for its purchase.

Likely developments and expected results of operations

The directors have considered ASIC Regulatory Guide 170. They do not believe that they have a reasonable basis to forecast future earnings of the Company as they are inherently uncertain. Accordingly, any forecast or projection would contain such a broad range of potential outcomes and possibilities that it is not possible to propose a reliable best estimate forecast or projection.

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2011 that has significantly affected, or may significantly affect:

- (a) the Company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Company's state of affairs in future financial years.

Insurance of officers

During the financial year, the Manager (Growth Equities Pty Ltd) paid a premium of \$21,664 to insure the officers of Growth Equities Pty Ltd, Growth Equities Accumulation Limited and Growth Equities Imputation Limited.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers or the Company and any other payments arising from liabilities incurred in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

GROWTH EQUITIES IMPUTATION LIMITED DIRECTORS' REPORT (Continued)

Information on directors

Russell Bryce Lester	Director
Qualifications	Bachelor of Economics; Graduate Diploma of Applied Finance & Investment. Graduate member of the Australian Institute of Company Directors.
Experience	Board member since January 2003. Director of Lester Group of Companies. Experience in Banking and Finance Industry.
Other responsibilities	Company secretary and Compliance officer
Richard Denis Lester	Director
Qualifications	Diploma in Agricultural Business; Certificate in Real Estate Management of Valuations; Licensed Valuer; Licensed Real Estate & Business Agent.
Experience	Board member since January 2003. Director of the Lester Group of Companies since 1994 and Former Director of Wesfarmers Limited (September 1995 - 30 June 2008). Extensive experience in property development and investment.
Damian Peter Hicks	Non-Executive Director
Qualifications	Bachelor of Commerce (Accounting & Finance); Barrister and Solicitor of the Supreme Court of WA; Graduate Diploma in Applied Finance and Investment, Graduate Diploma in Company Secretarial Practice and Graduate member of the Australian Institute of Company Directors.
Experience	Board member since July 2007. Managing Director of Hannans Reward Limited (ASX Code: HNR) and Chairman of Scandinavian Resources Limited (AX Code: SCR)

Meetings of directors

The number of meetings of the Company's board of directors held during the year ended 30 June 2011, and the number of meetings attended by each director were:

	Number of meetings attended	Number of meetings held whilst a director
R D Lester	4	4
R B Lester	4	4
D P Hicks	4	4

Environmental regulation

The Company is not subject to any significant environmental regulations in respect of its activities.

GROWTH EQUITIES IMPUTATION LIMITED
DIRECTORS' REPORT (Continued)

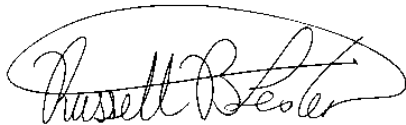
Auditors' independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Auditor

Moore Stephens continues in office as Auditors in accordance with Section 327 of the Corporations Act 2001.

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



R B Lester
Director

Perth, WA
22nd July 2011

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

TO: The Directors of

GROWTH EQUITIES IMPUTATION LIMITED

I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Growth Equities Imputation Limited.



Neil Pace
Partner
Moore Stephens
Chartered Accountants

Dated this 22nd day of July 2011
in Perth, WA

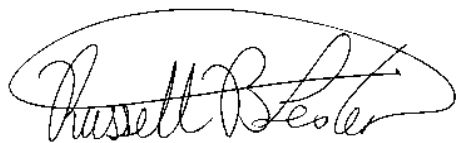
GROWTH EQUITIES IMPUTATION LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2011

In the directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 26 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2011 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



R B Lester
Director

Perth, WA
22nd July 2011

GROWTH EQUITIES IMPUTATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$	2010 \$
Revenue from continuing operations	4	1,414,075	231,917
Performance fees	5 (a)	-	-
Realised losses on financial assets held-for-trading		(95,190)	(76,349)
Unrealised (losses)/gains on financial assets held-for-trading		(785,737)	486,768
Write down of investment	5 (b)	(707,063)	-
Other expenses	5 (a)	<u>(121,554)</u>	<u>(66,320)</u>
(Loss)/Profit before income tax		(295,469)	576,016
Income tax revenue/(expense)	6	<u>240,210</u>	<u>(150,384)</u>
(Loss)/Profit for the year	15	<u>(55,259)</u>	<u>425,632</u>
Other comprehensive income for the year		<u>-</u>	<u>-</u>
(Loss)/Profit attributable to members of the Company		<u>(55,259)</u>	<u>425,632</u>
Total comprehensive income attributable to members of the Company		<u><u>(55,259)</u></u>	<u><u>425,632</u></u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

...GROWTH EQUITIES...

GROWTH EQUITIES IMPUTATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Notes	2011 \$	2010 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	878,576	2,451,068
Trade and other receivables	8	<u>72,987</u>	<u>33,262</u>
Total current assets		<u>951,563</u>	<u>2,484,330</u>
Non-current assets			
Other financial assets	9	12,476,247	4,108,305
Deferred tax assets	10	<u>291,336</u>	<u>55,615</u>
Total non-current assets		<u>12,767,583</u>	<u>4,163,920</u>
Total assets		<u>13,719,146</u>	<u>6,648,250</u>
LIABILITIES			
Current liabilities			
Trade and other payables	11	277,198	320,900
Current tax liabilities	12	<u>-</u>	<u>-</u>
Total current liabilities		<u>277,198</u>	<u>320,900</u>
Non-current liabilities			
Deferred tax liabilities	13	<u>-</u>	<u>4,489</u>
Total non-current liabilities		<u>-</u>	<u>4,489</u>
Total liabilities		<u>277,198</u>	<u>325,389</u>
Net assets		<u>13,441,948</u>	<u>6,322,861</u>
Equity			
Contributed equity	14	15,005,817	7,138,508
Accumulated losses	15	<u>(1,563,869)</u>	<u>(815,647)</u>
Total equity		<u>13,441,948</u>	<u>6,322,861</u>
Net tangible assets per share before providing for tax on unrealised capital (gains) or losses		0.9498	1.0302
Net tangible assets per share after providing for tax on unrealised capital (gains) or losses		0.9709	1.0393

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

...GROWTH EQUITIES...

GROWTH EQUITIES IMPUTATION LIMITED

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Contributed equity \$	(Accumulated losses) / Retained earnings \$	Total \$
Balance at 1 July 2009	<u>4,304,518</u>	<u>(1,244,538)</u>	<u>3,059,980</u>
Loss attributable to members of the Company	-	425,632	425,632
Total other comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>
	4,304,518	(818,906)	3,485,612
Contributions of equity, net of transaction costs	2,877,986	-	2,877,986
Shares bought back	(43,996)	3,259	(40,737)
Dividends paid	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2010	<u>7,138,508</u>	<u>(815,647)</u>	<u>6,322,861</u>
Loss attributable to members of the Company	-	(55,259)	(55,259)
Total other comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>
	7,138,508	(870,906)	6,267,602
Contributions of equity, net of transaction costs	9,365,857	-	9,365,857
Shares bought back	(1,498,548)	56,418	(1,442,130)
Dividends paid	<u>-</u>	<u>(749,381)</u>	<u>(749,381)</u>
Balance at 30 June 2011	<u>15,005,817</u>	<u>(1,563,869)</u>	<u>13,441,948</u>

The above statements of changes in equity should be read in conjunction with the accompanying notes.

...GROWTH EQUITIES...

GROWTH EQUITIES IMPUTATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		579,360	180,270
Interest received		87,927	30,891
Other revenue		-	-
Income taxes refund/(paid)		-	-
Payments to suppliers		<u>(114,969)</u>	<u>(63,173)</u>
Net cash inflows from operating activities	22	<u>552,318</u>	<u>147,988</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for financial assets purchases		(445,681)	(1,225,298)
Proceeds from financial assets sales		<u>18,810</u>	<u>503,808</u>
Net cash outflows from investing activities		<u>(426,871)</u>	<u>(721,490)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares		228,683	2,757,986
Payment under share purchase plan		-	-
Payment for shares bought back		(1,442,130)	(40,737)
Dividend paid		<u>(484,492)</u>	<u>-</u>
Net cash (outflows)/inflows from financing activities		<u>(1,697,939)</u>	<u>2,717,249</u>
Net (decrease)/increase in cash and cash equivalents		(1,572,492)	2,143,747
Cash and cash equivalents at the beginning of the financial year		<u>2,451,068</u>	<u>307,321</u>
Cash and cash equivalents at the end of the financial year	7	<u>878,576</u>	<u>2,451,068</u>

The above cash flow statement should be read in conjunction with the accompanying notes.

GROWTH EQUITIES IMPUTATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. CORPORATE INFORMATION

The financial statement of Growth Equities Imputation Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 22nd July 2011.

Growth Equities Imputation Limited is an Australian public Company limited by shares, incorporated and domiciled in Australia. Its registered office is located at Level 2, 47 Stirling Highway, Nedlands, Western Australia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

This general purpose financial statement has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The financial statement of Growth Equities Imputation Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for held-for-trading financial assets that have been measured at fair value through the profit and loss.

Critical accounting estimates

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

(b) Segment reporting

The "management approach" is applied to the identification, measurement and disclosure of operating segments. The "management approach" requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker for the purpose of allocating resources and assessing performance.

GROWTH EQUITIES IMPUTATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments which are classified as held for trading are measured at fair value through the profit and loss account. Gains or losses on investments held for trading are recognised in the statement of comprehensive income. For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market closing prices at the close of business on the reporting date.

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 recognised on the trade date i.e. the date that the Company commits to purchase or sell the financial assets.

(d) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are due for settlement no more than 30 days.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the statement of comprehensive income as other expenses.

(e) Trade and other payables

These amounts represented liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

GROWTH EQUITIES IMPUTATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Income tax

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

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

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

(h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised;

Interest

Interest is recognised as revenue when the right to the interest income is established.

Dividends

Dividends are recognised as revenue when the shareholders' right to receive the payment is established.

(j) Comparatives figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

GROWTH EQUITIES IMPUTATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The directors have assessed that other changes applicable for periods after 1 July 2011, arising from new or amended standards and interpretations, are unlikely to have a significant impact on the Company.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that are expected to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

...GROWTH EQUITIES...

GROWTH EQUITIES IMPUTATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
4. REVENUE		
From continuing operations		
Dividends received	1,341,110	186,514
Other revenue		
Interest received	72,965	45,403
Sundry revenue	-	-
	<u>1,414,075</u>	<u>231,917</u>
5. EXPENSES		
(a) (Loss)/Profit before income tax includes the following specific expenses:		
Performance fees	-	-
Bank fees	-	-
Brokerage fees	5,949	5,494
Management fees	115,605	60,826
	<u>121,554</u>	<u>66,320</u>
(b) Significant revenue and expense items		
The following significant revenue and expense items, included in the statement of comprehensive income, are relevant in explaining the financial performance:		
Dividend received from Growth Equities Accumulation Limited	<u>1,042,403</u>	<u>-</u>
Write down of investment in Growth Equities Accumulation Limited associated with its deregistration	<u>707,063</u>	<u>-</u>

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GROWTH EQUITIES IMPUTATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
6. INCOME TAX (REVENUE)/EXPENSE		
(a) Income tax expense		
Current tax	-	-
Deferred tax	(240,210)	150,384
Adjustments for current tax of prior periods	-	-
Income tax (revenue)/expense reported in statement of comprehensive income	<u>(240,210)</u>	<u>150,384</u>
<i>Deferred income tax (revenue)/expense included in income tax expense comprises:</i>		
(Increase)/Decrease in deferred tax assets (note 10)	(235,721)	146,030
(Decrease)/Increase in deferred tax liabilities (note 13)	<u>(4,489)</u>	<u>4,354</u>
	<u>(240,210)</u>	<u>150,384</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss)/Profit before income tax	<u>(295,469)</u>	<u>576,016</u>
Tax at the Australian tax rate of 30% (2010 - 30%)	(88,641)	172,805
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Imputation gross up on dividend received	165,415	19,774
Realised losses on financial assets held-for-trading	28,557	22,905
Write down of investment	212,119	-
Tax offset for franked dividends	<u>(551,385)</u>	<u>(65,100)</u>
	(233,935)	150,384
Unrecognised tax losses carried forward	(6,275)	-
Adjustments for current tax of prior periods	-	-
Income tax (revenue)/expense	<u>(240,210)</u>	<u>150,384</u>
7. CURRENT ASSETS – CASH AND CASH EQUIVALENTS		
Cash at bank	<u>878,576</u>	<u>2,451,068</u>
	<u>878,576</u>	<u>2,451,068</u>

The cash at bank earns interest at floating rates based on daily bank rates.

GROWTH EQUITIES IMPUTATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2011

7. CURRENT ASSETS – CASH AND CASH EQUIVALENTS (Continued)

	2011 \$	2010 \$
Reconciliation to cash at the end of the year		
The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:		
Balance as above	<u>878,576</u>	<u>2,451,068</u>
Balance as per cash flow statement	<u>878,576</u>	<u>2,451,068</u>

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Trade receivables	72,987	18,300
Other receivables	<u>-</u>	<u>14,962</u>
	<u>72,987</u>	<u>33,262</u>

Trade receivables and other receivables are non-interest bearing and are generally on 30-days terms.

9. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

Listed shares – at fair value	<u>12,476,247</u>	<u>4,108,305</u>
<u>Investment in entities not being subsidiaries or associates</u>		

Name	Principal Activity	Fair Value \$
ANZ Bank	Bank	1,052,128
Ausdrill Limited	Materials	1,036,652
Commonwealth Bank	Bank	619,755
Leighton Holdings Limited	Capital Goods	884,978
Navitas Limited	Consumer Services	120,900
Macquarie Group Limited	Diversified Financials	860,188
McMillian Shakespeare Limited	Commercial & Professional Services	143,700
Port Bouvard Limited	Real Estate	323,677
Peet and Company Limited	Real Estate	397,453
QBE Insurance Limited	Insurance	1,102,275
Salmat Limited	Commercial & Professional Services	103,600
Southern Cross El'cal Engin'ring Ltd	Capital Goods	161,000
Sunland Group Limited	Real Estate	120,711
Tassal Group Limited	Food Beverage & Tobacco	208,464
Telstra Corporation Limited	Telecommunication Services	1,453,670
Toll Holdings Limited	Transports & Warehousing	145,500
Wellcom Group Limited	Commercial & Professional Services	747,284
Wesfarmers Limited	Food and Staples Retailing	1,401,400
Westpac Bank	Bank	435,072
Worley Parsons Limited	Energy	<u>1,157,840</u>
		<u>12,476,247</u>

GROWTH EQUITIES IMPUTATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2011

9. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS (Continued)

Listed shares consist of investments in ordinary shares and therefore have no fixed maturity date or coupon rate. As the nature of the Company's business is long term investment, it does not intend to liquidate its investment portfolio. The fair value method used was based on published price quotation in an active market.

	2011 \$	2010 \$
10. NON-CURRENT ASSETS – DEFERRED TAX ASSETS		
<i>The balance comprises temporary differences attributable to :</i>		
<i>Amount recognised in profit and loss</i>		
Accrued performance fees	-	-
Fair value adjustments	<u>291,336</u>	<u>55,615</u>
Deferred tax assets	<u><u>291,336</u></u>	<u><u>55,615</u></u>
Movements		
Opening balance at 1 July	55,615	201,645
Credited/(Charged) to statement of comprehensive income (Note 6)	<u>235,721</u>	<u>(146,030)</u>
Closing balance at 30 June	<u><u>291,336</u></u>	<u><u>55,615</u></u>
11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade payables	12,309	320,900
Other payables	<u>264,889</u>	<u>-</u>
	<u><u>277,198</u></u>	<u><u>320,900</u></u>
Trade payables and other payables are non-interest bearing and are normally settled on 30-days terms.		
12. CURRENT LIABILITIES - CURRENT TAX LIABILITIES		
Provision for income tax	<u>-</u>	<u>-</u>
13. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES		
<i>The balance comprises temporary differences attributable to :</i>		
<i>Amount recognised in profit and loss</i>		
Fair value adjustments	-	-
Accrued interest	<u>-</u>	<u>4,489</u>
Deferred tax liabilities	<u><u>-</u></u>	<u><u>4,489</u></u>

GROWTH EQUITIES IMPUTATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
13. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES (Continued)		
Movements		
Opening balance at 1 July	4,489	135
(Credited)/Charged to statement of comprehensive income (Note 6)	<u>(4,489)</u>	<u>4,354</u>
Closing balance at 30 June	<u>-</u>	<u>4,489</u>
14. CONTRIBUTED EQUITY		
Ordinary shares - fully paid	<u>15,005,817</u>	<u>7,138,508</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. At 30 June 2011 there were 13,845,051 fully paid shares on issue (2010: 6,083,582 fully paid shares)

(a) Movement in ordinary shares

Date	Details	Number of shares	Issue Price	\$
1 July 2010	Opening balance	6,083,582		7,138,508
1 August 2010	Shares bought back	(7,247)	1.1730	(8,501)
1 September 2010	Dividend reinvestment	102,514	1.0100	103,539
1 October 2010	Shares bought back	(78,129)	1.1707	(91,465)
1 December 2010	Shares bought back	(73,424)	1.1707	(85,956)
1 January 2011	Dividend reinvestment	121,975	1.0260	125,144
1 January 2011	Issue of shares to GEA shareholders	8,906,908	1.0259	9,137,177
1 February 2011	Shares bought back	(495,712)	1.0838	(537,253)
1 March 2011	Shares bought back	(657,453)	1.0838	(712,548)
1 April 2011	Shares bought back	(32,913)	1.0840	(35,678)
1 June 2011	Shares bought back	<u>(25,050)</u>	1.0840	<u>(27,150)</u>
30 June 2011	Closing balance	<u>13,845,051</u>		<u>15,005,817</u>

(b) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash.

(c) Share buy-back

During the 2011 financial year, the Company had bought back 1,369,928 shares (2010: 37,485 shares) at an average price of \$1.0939 (2010: 1.1738).

GROWTH EQUITIES IMPUTATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
15. ACCUMULATED LOSSES		
Movements in accumulated losses were as follows:		
Accumulated losses at the beginning of the financial year	(815,647)	(1,244,538)
(Loss)/Profit for the year	(55,259)	425,632
Shares bought back	56,418	3,259
Dividends paid	<u>(749,381)</u>	<u>-</u>
Accumulated losses at the end of the financial year	<u>(1,563,869)</u>	<u>(815,647)</u>

16. RELATED PARTY TRANSACTIONS

(a) Parent entity

The parent entity, Balwyn Holdings Pty Ltd is no longer a shareholder of the issued capital of the Company (2010: 38.38%). Its shares were transferred to related parties of Balwyn Holdings Pty Ltd, namely Saphir Pty Ltd, Balwyn on Swan Pty Ltd and Bernard Nominees Pty Ltd.

(b) Directors

The names of the persons who were directors of the Company during the year ended 30 June 2011 and to the date of this report are as follows:

Name

R B Lester
R D Lester
D P Hicks

No director was paid any remuneration by the Company in respect of his position as a director of the Company.

(c) The following related parties hold shares in the Company:

Ancaro Pty Ltd as trustee for Lester & Associates Super Fund	132,659 shares (2010: 122,815 shares)
Saphir Pty Ltd as trustee for The Saphir Trust	2,760,551 shares (2010: 12,281 shares)
Amanda Elspeth Lester	74,907 shares (2010: 74,907 shares)
Balwyn Holdings Pty Ltd	Nil shares (2010: 2,334,956 shares)
Balwyn on Swan Pty Ltd	2,532,300 shares (2010: Nil shares)
Bernard Nominees Pty Ltd	2,532,302 shares (2010: Nil shares)
Lyn Patricia Lester	47,294 shares (2010: Nil shares)
Richard Denis Lester	162,775 shares (2010: Nil shares)

GROWTH EQUITIES IMPUTATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2011

16. RELATED PARTY TRANSACTIONS (Continued)

(d) Transactions with a related party

The following transactions occurred with a related party:

	2011 \$	2010 \$
Growth Equities Pty Ltd		
Performance fees	-	-
Management fees	<u>115,605</u>	<u>60,826</u>
	<u>115,605</u>	<u>60,826</u>

(e) Outstanding balances arising from management fees and performance fees

The following balances are outstanding at the reporting date in relation to transactions with a related party:

	2011 \$	2010 \$
Growth Equities Pty Ltd		
Performance fees	-	-
Management fees	<u>12,309</u>	<u>5,724</u>
	<u>12,309</u>	<u>5,724</u>

17. DIVIDENDS PAID/PAYABLE

Since the end of the financial year the directors have declared the payment of a final ordinary dividend of \$264,889 (1.9 cents per fully paid share) to be paid before 31st of July 2011.

	2011 \$	2010 \$
<i>Declared and paid during the year:</i>		
Dividend on ordinary shares:		
Final franked dividends for 2010: 4.1 cents	249,427	-
Interim franked dividends for 2011: 3.9 cents	<u>235,065</u>	-
	<u>484,492</u>	-
Franking credit balance		
The amount of franking credits available for the subsequent financial year are:	<u>391,076</u>	<u>160,855</u>

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

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

GROWTH EQUITIES IMPUTATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2011

18. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, a portfolio of ASX listed equities, receivable and payables.

The Company does not have any derivative instruments at 30 June 2011 and does not speculate in any type of financial instrument.

(a) Financial risks

The activities of the Company expose it primarily to the financial risks associated with its financial instruments. These are market price risk, interest rate risk, credit risk and liquidity risk. The Board of Directors are responsible for monitoring and managing the financial risks of the Company. They monitor these risks through weekly management meetings. Monthly management accounts are prepared, analysed and presented to the board quarterly.

(i) Market price risk

Market price risk arises from other financial assets held by the Company in the form of a managed portfolio of investments in listed equities. The portfolio of investments is managed by Growth Equities Pty Ltd (portfolio manager).

Only investments in the managed portfolio of investments of \$12,476,247 as at 30 June 2011 are subject to movements in prices of the investment markets.

By its nature as an Unlisted Investment Company that invests in tradeable securities, the Company can never be free of market price risk as it invests its capital in securities which are not risk free – the market price of these securities can fluctuate. The nature of the Company's business is long term investment in equity securities listed on the ASX. This activity exposes the Company to movements in the value of equity securities in which it holds an investment.

The Company seeks to minimise market price risk at the investment portfolio level by ensuring that it is not, in the opinion of the Investment Committee, overly exposed to one Company or one particular sector of the market. The relative weightings of the individual securities are reviewed by the Investment Committee, normally weekly, and risk can be managed by reducing exposure where necessary. The Company manages risk in various ways including; allowing a maximum of 10% of the value of the portfolio to be purchased into any one investment; and allowing a maximum of 20% of the value of the portfolio to be held in any one investment at market prices.

The Company's investment by sector is as below:

	2011	2010
	%	%
Bank	16.9	14.2
Capital Goods	8.4	10.7
Commercial & Professional Services	8.0	5.2
Consumer Services	1.0	3.4
Diversified Financials	6.9	6.3
Energy	9.3	4.9
Food and Staples Retailing	11.2	9.1
Food Beverage & Tobacco	1.7	1.3
Insurance	8.8	7.3
Materials	8.3	5.1
Real Estate	6.7	12.9
Telecommunication Services	11.6	19.6
Transports & Warehousing	1.2	-

GROWTH EQUITIES IMPUTATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2011

18. FINANCIAL RISK MANAGEMENT (Continued)

(i) Market price risk (Continued)

Securities representing over 8% of investment at 30 June 2011 were:

	% of portfolio
Telstra Corporation Limited	11.7
Wesfarmers Limited	11.2
Worley Parsons Limited	9.3
QBE Insurance Limited	8.8
ANZ Bank	8.4
Ausdrill Limited	8.3

No other security represents over 8% of the Company's investment portfolios.

To demonstrate the Company's sensitivity in changes to market prices a movement in the value of the managed portfolio of investments of plus or minus 10% at the reporting date would have increased/decreased net profit/(loss) before income tax by \$1,247,624.

(ii) Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, is limited only to its cash holdings with a number of banks.

In 2011 the average floating interest rates on cash at bank and cash on deposit were 4.59% (2010: 2.30%).

To demonstrate the Company's sensitivity to changes in interest rates a movement in rates of plus or minus 1% at the reporting date would have increased/decreased net profit/(loss) before tax by \$8,786. This sensitivity assumes that the movement in a particular variable is independent of other variables.

(iii) Foreign currency risk

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

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has exposure to credit risk through its trade receivables and other receivables. The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

The directors manage credit risk by regular monitoring of receivables and establish allowances for impairment when it is expected that any receivables are uncollectable.

GROWTH EQUITIES IMPUTATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2011

18. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has surplus cash reserves which enable sufficient cash to be available to settle obligations as they fall due

The Company monitors its cash-flow requirements daily. Furthermore, the Investment Committee monitors the level of contingent payments on a weekly basis by reference to known sales and purchases of securities, dividends and distributions to be paid or received. The Company ensures that it has cash sufficient to meet these contingent payments.

The Company's risk management strategies include maintaining a policy of not gearing its operations through interest bearing debt. This removes the risk of being forced to liquidate its investment portfolio to repay debt or meet servicing obligations as these pressures are always greatest at the worst times to be selling investments.

All financial liabilities are expected to be paid out at their carrying amounts within a period of less than 12 months.

19. FINANCIAL INSTRUMENTS

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as investments held for trading) is based on the Stock Exchange quoted market closing prices at the close of business on the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

20. SEGMENT INFORMATION

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources. The Company is managed primarily on the basis of one service offering, being that of investing into Australian listed securities.

GROWTH EQUITIES IMPUTATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2011

21. CONTROLLED ENTITY

Summary of acquisition

On 1 January 2011, Growth Equities Imputation Limited (GEI) acquired 100% of the issued share capital of Growth Equities Accumulation Limited (GEA). Like GEI, GEA's principal activities were investing into Australian listed securities. The acquisition has significantly increase the size of GEI's investment portfolio, created cost efficiencies for both companies and facilitated the distribution of investment income to former GEA shareholders. Following the merger of the two companies and before 30 June 2011, the assets and liabilities of GEA were transferred to GEI and GEA was formally deregistered.

Details of the purchase consideration and the identifiable assets acquired and liabilities assumed are as follows:

	Fair value \$
<u>Purchase consideration</u>	
Converting ordinary shares ⁽ⁱ⁾	9,137,177
	<u>9,137,177</u>
<u>Less</u>	
Cash	368,216
Other financial assets ⁽ⁱⁱ⁾	8,785,576
Trade payables	<u>(16,615)</u>
Identifiable assets acquired and liabilities assumed ⁽ⁱⁱⁱ⁾	<u>9,137,177</u>
Goodwill	<u>-</u>

- (i) The consideration paid to acquire Growth Equities Accumulation Limited includes 8,906,908 ordinary shares at \$1.0258 each issued to the shareholders of Growth Equities Accumulation Limited. The fair value of the shares has been determined based on the current market price of the shares at the date of acquisition.
- (ii) No provision for impairment is required as other financial assets are based on published price quotation in an active market.
- (iii) Included in identifiable assets acquired and liabilities assumed is a deferred tax liabilities of \$278,252. This liability was not included in the purchase price of Growth Equities Accumulation Limited because it represents a provision for tax on unrealised capital gains as at the 31 December 2010. As there is no certainty that the capital gain will be realised and therefore no certainty that the tax will be paid, it was not included in the purchase price.

There were no other acquisitions in the year ending 30 June 2011.

GROWTH EQUITIES IMPUTATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2011

21. CONTROLLED ENTITY (Continued)

Consolidated financial statements

Growth Equities Imputation Limited (GEI) controlled Growth Equities Accumulation Limited (GEA) for the period 1 January 2011 until it was deregistered in June 2011. GEI has not presented a consolidated statement of comprehensive income for the year ended 30 June 2011, incorporating the results of GEA for the period in which it was controlled by GEI, as there is no impact on the overall loss before income tax for the year as reported on page 7.

For information purposes, the consolidated statement of comprehensive income is summarised below in abridged format.

	2011
	\$
Revenue from continuing operations	532,487
Realised gains on financial assets held-for-trading	80,505
Unrealised losses on financial assets held-for-trading	(785,737)
Gain/(Loss) on deconsolidation of GEA	-
Other expenses	<u>(122,724)</u>
Loss before income tax	<u>(295,469)</u>

	2011	2010
	\$	\$
22. CASH FLOW STATEMENT		
<i>Reconciliation of (loss)/profit after income tax to net cash inflows from operating activities</i>		
(Loss)/Profit for the year	(55,259)	425,632
<i>Adjustments for:</i>		
Realised losses on financial assets held-for-trading	95,190	76,349
Unrealised gains on financial assets held-for-trading	785,737	(486,768)
<i>Changes in assets and liabilities</i>		
Increase in trade receivables	(54,687)	(6,244)
Decrease/(Increase) in other receivables	14,962	(14,512)
(Increase)/Decrease in deferred tax assets	(235,721)	146,030
Increase in trade payables	6,585	3,147
Increase in other payables	-	-
(Decrease)/Increase in deferred tax liabilities	<u>(4,489)</u>	<u>4,354</u>
Net cash inflow from operating activities	<u>552,318</u>	<u>147,988</u>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GROWTH EQUITIES IMPUTATION LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Growth Equities Imputation Limited (the company) which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and cashflow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company.

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 2 (a), 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 (IFRS)*.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgment, 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, as provided to the directors of Growth Equities Imputation Limited, would be in the same terms if provided to the directors as at the date of this auditor's report

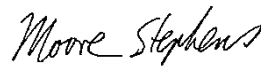
Auditor's Opinion

In our opinion:

- a. the financial report of Growth Equities Imputation 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 and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).



Neil Pace
Partner



Moore Stephens
Chartered Accountants

Dated this 22nd day of July 2011
in Perth, WA.

...GROWTH EQUITIES...

GROWTH EQUITIES IMPUTATION LIMITED

DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2011

	2011 \$	2010 \$
Revenue		
Dividends received	1,341,110	186,514
Realised gains on financial assets held-for-trading	-	-
Unrealised gains on financial assets held-for-trading	-	486,768
Interest received	72,965	45,403
Sundry revenue	-	-
	<hr/>	<hr/>
Total revenue	1,414,075	718,685
	<hr/>	<hr/>
Expenses		
Bank fees	-	-
Brokerage fees	5,949	5,494
Management fees	115,605	60,826
Performance fees	-	-
Realised losses on financial assets held-for-trading	95,190	76,349
Unrealised losses on financial assets held-for-trading	785,737	-
Write down of investment	707,063	-
	<hr/>	<hr/>
Total expenses	1,709,544	142,669
	<hr/>	<hr/>
Net (loss)/profit for the year	(295,469)	576,016
	<hr/> <hr/>	<hr/> <hr/>