



GLOBAL MASTERS FUND LIMITED

# Annual Report

30 June 2007

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## GLOBAL MASTERS FUND LIMITED

Dear Shareholder

Another year has gone by and on behalf of the Board I wish to thank you for your support by your continued investment in the Global Masters Fund Limited (GMF).

Your Company was established as a means of enabling Australian based investors to invest smaller amounts in Berkshire Hathaway Inc., (Warren Buffet's company) one of the world's truly remarkable investment stories of the last 40 years, led by the legendary Warren Buffett.

GMF owns \$7.747 million of the Berkshire Hathaway "A" stock and some \$ 4.549 million of the Berkshire Hathaway "B" stock. The other principal investment is in the Colonial First State Wholesale Income Fund, which gives the Company income to pay for expenses in running the company. Berkshire Hathaway does not pay dividends to shareholders but reinvests its net income.

Although the board of GMF has decided not to pay any dividends for the 2007 year, it is pleasing to report that the Berkshire Hathaway shares have already seen growth in excess of 28 % since they were purchased. Over the past year the relative strength of the Australian dollar against the US currency has worked against the NTA backing of GMF but the overall investment has grown due to the higher capital growth of the Berkshire Hathaway shares on the New York Stock Exchange. Investors see Berkshire Hathaway as a good hedge stock when the market is uncertain. Berkshire Hathaway has an impressive portfolio of successful high growth companies and by investing in GMF you have invested in a portfolio managed by one of the world's finest investment managers.

An off market buy back took place in which 1,727,215 shares were bought back between 20 December 2006 and 12 January 2007. This necessitated the sale of 250 "B" Class shares held in Berkshire Hathaway and the gain realised on this sale is shown in the income statement of the company. An "on-market" buy-back was approved by shareholders on 20 March 2007 and since then (to 30 June 2007) 97,000 shares have been bought back.

At the time of writing this report, the Net Tangible Asset value (NTA) of the company is 107 cents per share after estimated tax on unrealised gains and your board is confident that over the longer term, your GMF investment will perform well. Investors should however be aware that this is a potentially volatile investment, and the NTA is dependent on the rise and fall of the underlying assets plus the fluctuations in the value of the Australian dollar. The Board is confident that this will prove a good long term investment and the board encourages all option holders to exercise their options before 30 November 2007.

Yours sincerely

Jonathan L Addison  
Chairman

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## DIRECTOR'S REPORT

The Directors present their report together with the financial report of Global Masters Fund Limited for the year ended 30 June 2007 and Independent Audit Report thereon. The financial report has been prepared in accordance with Australian equivalents of International Financial Reporting Standards (A-IFRS).

### Directors

The Directors of the Company during or since the end of the financial year to the date of this report are:

Name	Date of Appointment	Date of Resignation
Jonathan Lancelot Addison	19 April 2005	
George Anthony Birch	12 May 2004	29 November 2006
Emmanuel Clive Pohl	19 April 2005	
Patrick Corrigan	29 November 2006	

Details of the Directors in office during the year:

Name And Qualification	Experience and Special Responsibilities
Jonathan Lancelot Addison B Ec, ASIS, CFTP (Snr), MAICD	<p><b>Non-executive Chairman</b></p> <p>Over 26 years experience in the investment management industry. Fund Manager of the Meat Industry Employees Superannuation Fund. Previous experience includes Director and Asset Consultant with the Corporate Finance Section of PricewaterhouseCoopers and Manager at Sedgwick Noble Lowndes.</p> <p>Member of Audit Committee</p> <p><i>Other current directorships</i></p> <p>Director of Phosphagenics Limited</p>
George Anthony Birch BA Econ, Dip TP, AAI Ex	<p><b>Non-executive Director</b></p> <p>Previously Managing Director of Growth Equities Corporation Limited and Australian Chief Executive of Kempen Capital Management. Other experience gained in stockbroking, funds management and investment banking in London, Sydney and Melbourne.</p> <p>Member of Audit Committee</p> <p><i>Other current directorships</i></p> <p>Director of Minerals Corporation Limited</p>
Emmanuel Clive Pohl Pr Eng. BSc (Eng), MBA, DBA, FAICD, MSDIA, SAFin	<p><b>Non-executive Director</b></p> <p>20 years experience in the investment industry. Has served on the Board of a number of major corporations in both South Africa and Australia. He was a member of the 1991 South African delegation to the Annual Meeting of the Board of Governors of the World Bank and the International Monetary Fund and was a member of the South African Accounting Practices Board. He is Managing Director of Hyperion Flagship Investments Limited, Hyperion Holdings Limited and Hyperion Asset Management Limited.</p> <p>Member of Audit Committee</p> <p>Directorships in the last 3 years</p> <p><u>Other current directorships</u></p> <p>Managing Director of Hyperion Asset Management Limited (appointed 1997)</p> <p>Managing Director of Hyperion Flagship Investments Limited (appointed 1997)</p> <p>Managing Director of Hyperion Holdings Limited (appointed 2004)</p> <p>Director of Huysamer Capital Investments (Pty) Ltd (appointed 2002)</p> <p><u>Former directorships in last 3 years</u></p> <p>Alternate Director of The Great Barrier Reef Research Foundation from 2003 to 2004.</p> <p>Director of The Great Barrier Reef Research Foundation from 2004 to 2004.</p> <p>Non-executive director of Growth Equities Corporation Limited from 2003 to 2004.</p>

## DIRECTOR'S REPORT

Board Member of La Boite Theatre Inc from 2002 to 2004 Non-executive director of Queensland Gas Company Ltd from 2004 to 2005.  
Managing Director of WHTM Capital Management Limited from 2002 to 2004.

Patrick Corrigan  
AM

### Non-executive Director

Chairman of an international freight forwarding company for numerous years. Experience in accounting, financial management and other commercial acumen including investments. One of Australia's leading contemporary art collectors. Member of the "Order of Australia". Recently awarded an honorary doctorate at Bond University.

#### Other current directorships

Chairman Century Freight  
Chairman Gold Coast Regional Art Gallery  
Director Gold Coast Art Centre

Directors' interests in securities of the Company are set out in Note 17 of the Notes to the Financial Statements.

### Company Secretary

Mr Brian Jones (B.COM CA) was appointed company secretary on 1 March 2007 and replaced Mr Nicholas Swan who was appointed company secretary on 15 September 2005. Brian Jones has had a number of years commercial and financial experience and has served as the company secretary and director listed public companies in the past and has a chartered accounting practice in Thornleigh, New South Wales.

### Directors' Meetings

The number of Board meetings and the number of meetings attended by each of the directors of the Company held during the time the directors held office during the year are:

Director	Meetings Held	Meetings Attended
Mr JL Addison	7	7
Mr GA Birch	2	2
Dr EC Pohl	7	7
Mr P Corrigan	5	5

### Audit Committee Meetings

Audit Committee meetings take place before each directors meeting. The following are the number of Audit Committee meetings and the number of meetings attended by each member:

Director	Meetings Held	Meetings Attended
Mr JL Addison	3	2
Mr GA Birch	1	1
Dr EC Pohl	3	3
Mr P Corrigan	2	2

An Audit Committee meeting was held on 28 September 2007 at which the Audit Committee recommended to the Board of Directors that the 2007 Financial Statements to be adopted.

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## DIRECTOR'S REPORT

### Corporate Information

#### Corporate Structure

Global Masters Fund Limited is a company listed by shares that is incorporated and domiciled in Australia.

#### Principal Activity

The Company is an investment company seeking long term capital growth through principally investing in shares in Berkshire Hathaway Inc.

#### Review and Results of Operations

The Company made a profit after tax of \$20,502 (2006: \$124,177).

#### Dividends

No dividends have been declared or paid during or since the end of the financial year.

#### Financial Position

The net assets of the Company decreased during the year due to the buy back of shares. Despite the strengthening of the Australian Dollar the value of the investment in Berkshire Hathaway increased and the fair value movement is shown in the reserves of \$302,117 at 30 June 2007.

#### Significant Changes in State of Affairs

The Company bought back 1,824,215 shares during the year and 17,000 shares were issued as a result of options exercised at \$1.00 each.

#### Future Developments, Prospects and Business Strategies

The company will maintain its exposure to global equity markets principally through investing the majority of its assets in Berkshire Hathaway shares together with a global bond fund or funds for yield and diversification. The Berkshire Hathaway investment will not be currency hedged as it is considered to provide currency diversification.

As set out in the prospectus for the Initial Public Offering, the Company will undertake an annual buy-back for the next three years commencing in November 2006. Each buy-back will be limited to a maximum of 10% of the Company's outstanding capital and will be made at net asset value per share less an administration fee of 5%.

#### Environmental Legislation

The Company's operations are not subject to any environmental legislation under either Commonwealth or State Legislation.

#### Event Subsequent to the Reporting Date

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

#### Indemnification of Officers and Auditors

During the year, a Directors and Officers insurance policy was put in place indemnifying against any liability any person who is or has been an officer or auditor of the Company.

#### Proceedings of Behalf of the Company

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

## DIRECTOR'S REPORT

### Remuneration Report

#### *Remuneration Policy*

The full Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board.

Details of the nature and amount of each element of the emoluments of each director of the Company for the year ended 30 June 2007 are as follows:

Director	Base Fee \$	Total \$
Jon Addison	15,000	15,000
George Birch	10,000	10,000
Emmanuel Pohl	10,000	10,000
Patrick Corrigan	6,461	6,461

Brian Jones, the Company Secretary, is paid fees through CalverJones, a Chartered Accountancy firm of which he is Principal.

#### **Directors' Interest in Contracts**

There are no Directors' interests in contracts other than share holdings which are disclosed in this report.

#### **Options**

During the year 17,000 shares were issued as a result of the exercise of options. No options have been issued to Directors as part of their remuneration. At 30 June 2007 the number of option holders was 566 and the total number of outstanding options was 17,261,898.

#### **Non-audit Services**

No non-audit services were performed by the auditors during the year ended 30 June 2007.

#### **Auditor's Independence Declaration**

The lead Auditor's Independence Declaration as required by Section 307 of the Corporations Act 2001 is set out on page 7 and forms part of this Report for the year ended 30 June 2007.

#### **Corporate Governance**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors support the principles of corporate governance and have applied these principles where appropriate.

The Company's corporate governance statement is contained in the following section of this annual financial report.

Signed in accordance with a resolution of directors:



Jonathan L Addison  
Chairman

Dated this 28 September 2007.

**AUDITOR'S INDEPENDENCE DECLARATION**

**TO THE DIRECTORS OF GLOBAL MASTERS FUND LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Global Masters Fund Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

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

*Grant Thornton NSW*

GRANT THORNTON NSW  
Chartered accountants

*A J Archer*

A J ARCHER  
Partner

Sydney

28 September 2007

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## CORPORATE GOVERNANCE STATEMENT

This statement sets out the key principles and practices adopted by the Board for the Company's corporate governance.

### Core Business and Investment Strategy

The core business and investment strategy of the Company is to provide a vehicle for Australian investors seeking long term capital growth through principally investing in shares in Berkshire Hathaway Inc. The Company's policy is not to hedge the underlying currencies of its portfolio of investments.

### Corporate Governance

The Directors support and are committed to the principles of best practice in corporate governance, applied in a manner that is suitable to the Company's particular circumstances.

The ultimate objective of the Company's core business and investment strategy is the achievement of long-term growth and profitability. The Company's corporate governance practices and procedures are directed to providing an appropriate framework for pursuit of that objective, while protecting the rights and interests of shareholders and ensuring that the Company is lawfully and ethically governed.

The Company's corporate governance practices are largely consistent with the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations". These practices have been in place since the Company listed on the Australian Stock Exchange on 16 May 2006 and were subsequently endorsed by the Board.

Where the Company's corporate governance practices do not correlate with the practices recommended by the ASX, the Company does not consider that the practices are appropriate for the Company due to the nature and scope of its activities. The reasons for any departures are explained in this statement.

The governance framework will continue to be reviewed by the Board with the object of achieving at all times the highest standards of corporate governance and ethical corporate behaviour consistent with the nature and size of the Company's business.

### Roles of the Board and Management

The Board is accountable to shareholders for the activities and performance of the Company and has overall responsibility for furtherance of the Company's core business and investment strategy together with its corporate governance.

### Composition of the Board

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The current Board has three directors, all of whom are non-executive and two of whom are independent. The names of the directors and their qualifications and experience are stated on page 2 along with the term of office held by each of them. Directors are appointed based on their industry experience and commercial acumen as well as the specific governance skills required by the Company and the independence of their decision-making and judgment.

The Board's criterion for determining the independence of a Director is whether the Director is independent of management and free from any business or other relationship that could materially interfere with (or could reasonably be perceived to materially interfere with) the exercise of unfettered and independent judgement.

In considering independence, the Board distinguishes between a relationship that may occasionally give rise to a particular discrete conflict of interest that can be addressed by appropriate conflict of interest procedures, and a relationship that may more generally impair the Director's objectivity and conflict of mind.

The composition of the Board is reviewed on an ongoing basis to ensure that the Board has an appropriate balance of expertise and experience. When a vacancy arises or where the Board considers that it would benefit from the services and skills of a new director, the Board considers potential candidates with appropriate expertise and experience.

### Responsibilities of the Board

The principal function and responsibilities of the Board include the following:

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: setting and reviewing the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: overseeing the development of the Company's strategic plan and approving that plan as well as budgets.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.

## CORPORATE GOVERNANCE STATEMENT

- Monitoring, Compliance and Risk Management: overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company Finances: approving expenses in excess of those approved in the annual budget and approving and monitoring investment performance and financial and other reporting.
- Delegation of Authority: delegating appropriate powers to ensure the effective day-to-day management of the Company and establishing and determining the power and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is contained on the Company's website.

### Board Policies

#### *Conflicts of interest*

Directors must disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director and the interests of any other party in carrying out the activities of the Company.

If a Director cannot or is unwilling to remove a conflict of interest then the director must, as per the *Corporations Act 2001*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

#### *Commitments*

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a director of the Company.

#### *Confidentiality*

In accordance with legal requirements and agreed ethical standards, directors have agreed to keep confidential information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

#### *Continuous disclosure*

The Board has put in place mechanisms designed to ensure compliance with the ASX Listing Rules Disclosure Requirements and to ensure accountability at a senior level for that compliance.

#### *Education and induction*

New directors undergo an induction process in which they are given a full briefing on the Company. In order to achieve continuing improvement in Board performance, all directors are encouraged to undergo continual professional development.

#### *Independent professional advice*

The Board collectively and each director has the right to seek independent professional advice at the Company's expense, up to predetermined limits, to assist them to carry out their responsibilities.

#### *Related party transactions*

Related party transactions include any financial transaction between a director and the Company and are reported in writing to each Board meeting. Unless there is an exemption under the *Corporations Act 2001* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

#### *Shareholder communication*

The Company is committed to effective shareholder communication:

- Through releases to the market via ASX, the Company's website, information mailed to shareholders and general meetings of the Company;
- Providing balanced and understandable information about the Company and its investment strategy;
- Encouraging shareholders to participate in general meetings of the Company; and
- Requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

## CORPORATE GOVERNANCE STATEMENT

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

### *Trading in company shares*

The Board has adopted a Share Trading Policy that sets out principles to be observed by the Company's directors and officers in relation to buying, selling and dealing in the Company's shares.

The overriding principle is that directors and officers cannot deal in the Company's shares at any time when they possess price sensitive information.

The Share Trading Policy also precludes directors and officers from dealing in securities included in the Company's investment portfolio at any time when they possess information that is price sensitive in relation to such securities or to the detriment of the Company's investment portfolio.

The Share Trading Policy is posted on the Company's website.

### *Performance review/evaluation*

Each year, the Board reviews and evaluates its performance and the individual performance of each director, including the Chairman.

The general management and oversight of the evaluation process, including identification and formulation of appropriate performance assessment issues and criteria is the responsibility of the Chairman. Primarily, the review is carried out through consultation by the Chairman with each of the other directors.

Having regard to the nature of the Company's business and the Board's composition, the Board believes this approach to performance evaluation is more useful than seeking to apply predetermined measurable performance indicators or engaging an external facilitator.

### *Attestations by Chairman and CFO*

In accordance with the Board's policy, the Chairman and CFO made the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

## **Board Committees**

### *Audit and risk committee*

The Board has established an Audit and Risk Committee which provides assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control systems, risk management systems, regulatory compliance and external audit.

The committee must have at least two members, but due to the scope and nature of the Company's activities, all of the directors currently serve on the committee. At least one member must have financial expertise and some members shall have an understanding of the industry in which the Company operates.

The principal roles of the committee are to:

- Assess whether the accounting methods and statutory reporting applied by management are consistent and comply with accounting standards and applicable laws and regulations;
- Make recommendations on the appointment of the external auditors, assess their performance and independence and ensure that management responds to audit findings and recommendations;
- Discuss the adequacy and effectiveness of the Company's internal control systems and policies to assess and manage business risks and its legal and regulatory compliance programmes; and
- Ensure effective monitoring of the Company's compliance with its code of conduct and Board policy statements.

The committee intends meeting with the external auditors at least twice a year. The committee is authorised to seek information from any employee or external party and obtain legal or other professional advice.

### *Remuneration committee*

The ASX principles of good corporate governance recommend a minimum of three members to form the composition of the remuneration committee with the majority being independent and chaired by an independent director. The Board consider that due to the scope and nature of the Company's activities, the whole Board should undertake this responsibility. As such, the Company does not have a separate remuneration committee. The remuneration of the directors is reviewed annually by the Board as detailed in the Board Charter a copy of which is posted on the Company's website.

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## CORPORATE GOVERNANCE STATEMENT

### *Remuneration policy*

The Company does not have a Senior Executive Remuneration Policy as all executive and administrative services are provided to the Company by the company secretary and his chartered accountancy firm. As such, the Company does not employ any personnel directly or deem it necessary to have an employee remuneration policy.

### *Non-executive director remuneration policy*

Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of non-executive directors. Non-executive directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

### *Nomination committee*

The ASX principles of good corporate governance recommend a minimum of three members to form the composition of the nomination committee with the majority being independent and chaired by an independent director. The Board consider that due to the scope and nature of the Company's activities, the whole Board should undertake this responsibility. As such, the Company does not have a separate nomination committee.

### *Criteria for selection of directors*

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one director with experience in the Company's industry, appropriate to the Company's market. In addition, directors should have the relevant blend of personal experience in accounting and financial management and other commercial acumen.

## **Company Code of Conduct**

The Board has adopted a Corporate Code of Conduct to establish and encourage observance by the Company's Directors and officers of standards of ethical and responsible decision making and behaviour that are necessary to maintain confidence in the Company's integrity and to recognise and guide compliance with legal and other obligations to the Company's shareholders and other legitimate stakeholders.

The Corporate Code of Conduct is posted on the Company's website.

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## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

### **INCOME STATEMENT**

For the year ended 30 June 2007

	Note	2007 \$	2006 \$
<b>Revenue</b>	3	245,059	374,295
Other income	4	119,677	
Other expenses	5	(328,156)	(132,945)
Finance costs		(7,293)	(63,955)
Profit before income tax		29,287	177,395
Income tax expense	6	(8,785)	(53,218)
<b>Profit after income tax</b>		<u>20,502</u>	<u>124,177</u>
Basic earnings per share (cents)	16	0.12	5.8
Diluted earnings per share (cents)		0.06	5.8

These Financial Statements should be read in conjunction with the accompanying notes

## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

### BALANCE SHEET

At 30 June 2007

	Note	30 June 2007 \$	30 June 2006 \$
<b>Current assets</b>			
Cash and cash equivalents	7	89,769	277,977
Trade and other receivables	8	7,046	119,352
Other current assets	9	5,643	35,020
<b>Total current assets</b>		<b>102,458</b>	<b>432,349</b>
<b>Non-current assets</b>			
Available-for-sale financial assets	10	15,555,536	16,498,301
Deferred tax assets	12	99,155	163,128
<b>Total non-current assets</b>		<b>15,654,691</b>	<b>16,661,429</b>
<b>Total assets</b>		<b>15,757,149</b>	<b>17,093,778</b>
<b>Current liabilities</b>			
Trade and other payables	11	64,872	112,855
Current tax liabilities	12	6,402	6,363
<b>Total current liabilities</b>		<b>71,274</b>	<b>119,218</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	120,477	21,003
<b>Total non-current liabilities</b>		<b>120,477</b>	<b>21,003</b>
<b>Total liabilities</b>		<b>191,751</b>	<b>140,221</b>
<b>Net assets</b>		<b>15,565,398</b>	<b>16,953,557</b>
<b>Equity</b>			
Issued securities	13	15,120,437	16,900,556
Reserves		302,117	(69,341)
Retained profits		142,844	122,342
<b>Total equity</b>		<b>15,565,398</b>	<b>16,953,557</b>

These Financial Statements should be read in conjunction with the accompanying notes

## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

### STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2007

	Issued Securities \$	Retained Profits/ (Accumulated Losses) \$	Reserves \$	Total Equity \$
<b>At 1 July 2005</b>	3,000	(1,835)	-	1,165
Net loss on investments	-	-	(69,341)	(69,341)
Net income/(loss) recognised directly in equity	-	-	(69,341)	(69,341)
Profit attributable to members	-	124,177	-	124,177
Total recognised income and expense for the year	-	124,177	(69,341)	54,836
Shares issued during the year	17,269,167	-	-	17,269,167
Share capital issue costs	(371,611)	-	-	(371,611)
<b>Balance at 30 June 2006</b>	16,900,556	122,342	(69,341)	16,953,557
Net gain on investments	-	-	498,293	498,293
Net income recognised directly in equity	-	-	498,293	498,293
Profit attributable to members	-	20,502	-	20,502
Total recognised income and expense for the year	-	20,502	498,293	518,795
Shares issued during the year	17,000	-	-	17,000
Share capital issue costs	(10,490)	-	-	(10,490)
Shares cancelled after being bought back during the year	(1,786,629)	-	-	(1,786,629)
Capital profit on sale of investments included in profit	-	-	(126,835)	(126,835)
<b>Balance at 30 June 2007</b>	15,120,437	142,844	302,117	15,565,398

These Financial Statements should be read in conjunction with the accompanying notes

## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

### CASH FLOW STATEMENT

For the year ended 30 June 2007

		2007 \$	2006 \$
	Note	Inflows (Outflows)	Inflows (Outflows)
<b>Cash flows from operating activities</b>			
Interest and distributions received		95,938	303,018
Interest paid		(7,293)	(62,479)
Payments to suppliers		(336,224)	(105,161)
Net cash flows (used in) / from operating activities	15	<u>(247,579)</u>	<u>135,378</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of 250 Berkshire Hathaway "B" shares		1,165,000	-
Proceeds from sale of Colonial First State units		664,000	-
Cash paid for Listed shares		-	(12,897,360)
Cash paid for Unlisted trusts		-	(3,700,000)
Net cash inflows / (outflows) in investing activities		<u>1,829,000</u>	<u>(16,597,360)</u>
<b>Cash flows from financing activities</b>			
Issue of shares / stapled securities		17,000	17,269,167
Issue costs of shares / stapled securities		-	(530,873)
Cash paid for shares bought back and cancelled		(1,786,629)	-
Net cash flows from financing activities		<u>(1,769,629)</u>	<u>16,738,294</u>
Net (decrease) increase in cash held		(188,208)	276,312
Add opening cash brought forward		<u>277,977</u>	<u>1,665</u>
<b>Closing cash carried forward</b>	<b>7</b>	<u><u>89,769</u></u>	<u><u>277,977</u></u>

These Financial Statements should be read in conjunction with the accompanying notes.



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## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. CORPORATE INFORMATION

This financial report of Global Masters Fund Limited ("the Company") for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 28 September 2007.

The Company is limited by shares and incorporated in Australia. Its shares are publicly traded on the Australian Stock Exchange ("ASX").

The nature of the operations and principal activities of the Company are described in Note 21.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on a historical cost basis, except for investment assets which have been measured at fair value (last bid price).

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

##### (b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

Australian Accounting Standards that have recently been issued or amended but which are not yet effective at 30 June 2007, have not been adopted in the preparation of the annual report. The Company's assessment of the impact of these new standards and interpretations has been completed with no material impact on the financial report.

##### (c) Foreign currency

Both the functional and presentation currency of the Company is Australian dollars (\$).

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the financial report are taken to the profit and loss with the exception of differences on investment assets, these are taken directly to equity until the disposal of the investment asset, at which time they are recognised in profit or loss.

##### (d) Trade receivables

Trade receivables generally have a 30 day term and are recognised at the original transaction amount and where applicable converted to the equivalent Australian dollar value based on the ruling exchange rate on the day of transaction.

##### (e) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank, bank overdrafts, cash in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash and cash flow equivalents consist of cash as disclosed above.

## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

### (f) 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 available-for-sale, are measured at fair value.

See note (p) and (q) for further information on investment assets and the accounting treatment of the impairment of those investment assets.

### (g) Payables

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

### (h) Provisions

Provisions are recognised where the Company has a present obligation (legal or constructive) as a result of past events, 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.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

### (i) Contributed entity

Stapled securities are classified as equity and during the year these were converted to ordinary shares. Costs directly attributable to the issue of new shares or other equity instruments are shown in equity as a deduction, net of tax, from proceeds.

### (j) Income tax

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Current tax: Current tax is calculated by reference to the amount of income taxes payable to recoverable in respect of the taxable profit or loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax: Deferred tax is accounted for using the comprehensive balance sheet method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

A deferred tax liability is recognised for all taxable temporary differences including net unrealised gains on investments. 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 future taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxation authority.

### (k) Goods and Services Tax (GST)

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

- When 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, which 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.

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## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

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.

### (l) Earnings per share

Basic earnings per share is calculated as net profit attributable to members, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### (m) Comparatives

Where necessary comparatives have been reclassified for consistency with current year disclosures.

### (n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit 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*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

#### *Dividends*

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

### (o) Finance costs

Finance costs are recognised as an expense when incurred.

### (p) Financial Instruments

#### Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

#### Available-for-sale investments ("Investments")

After initial recognition investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

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

#### Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

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## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

### *Derecognition of investments*

On disposal of an investment the gain or loss on the net proceeds received less the original purchase cost of the investment is recorded through the profit and loss.

### *Impairment*

At each reporting date, the Company group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

### **(q) Impairment of assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual assets, the Company estimates the recoverable amount of the cash-generating unit to which the assets belongs.

### **(r) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report 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.

## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
<b>3. REVENUE</b>		
Dividends – other corporations	-	157
Interest – other person/corporations	245,059	373,030
Other investment income	-	1,108
	245,059	374,295
<b>4. OTHER INCOME</b>		
Gain on the sale of investments	119,677	-
<b>5. OTHER EXPENSES</b>		
Management fees	115,895	18,713
ASX and share registry costs	51,449	71,239
Administration costs	160,812	42,993
	328,156	132,945
<b>6. INCOME TAX EXPENSE</b>		
The major components of income tax are:		
<b>(a) Income statement</b>		
<i>Current income tax</i>		
Current income tax charge	(2,088)	6,363
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	10,874	46,855
Income tax expense reported in the income statement	8,786	53,218
<b>(b) Statement of changes in equity</b>		
<i>Deferred income tax related to items charged or credited directly to equity</i>		
Share capital issue costs	31,852	159,262
Unrealised gain/loss on investments	(129,478)	29,718
Income tax benefit reported in equity	(97,626)	188,980
A reconciliation between the income tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate is as follows:		
Accounting profit/(loss) before tax	29,287	177,395
Prima facie expense/(benefit) from ordinary activities before income tax at 30% (2006: 30%)	8,786	53,218
Income tax expense	8,786	53,218
The applicable weighted average effective tax rates are:	30%	30%

## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

### 7. CASH AND CASH EQUIVALENTS

	2007 \$	2006 \$
Cash at bank and in hand	59,601	273,385
Short-term deposits	30,168	4,592
	<u>89,769</u>	<u>277,977</u>

### 8. TRADE AND OTHER RECEIVABLES (CURRENT)

Interest receivable	3,460	71,277
GST receivable	3,586	48,075
	<u>7,046</u>	<u>119,352</u>

### 9. OTHER CURRENT ASSETS

Prepayments	<u>5,643</u>	<u>35,020</u>
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### 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Investments are classified as available-for-sale financial assets

Securities listed on a prescribed stock exchange at fair value:

-Shares	12,296,520	12,897,360
Unlisted investments at fair value	3,259,016	3,700,000
	<u>15,555,536</u>	<u>16,597,360</u>

### 11. TRADE AND OTHER PAYABLES (CURRENT)

Trade payables and accruals	64,872	92,772
Payables due to related parties:		
-Director related entities – refer note 18	-	20,083
	<u>64,872</u>	<u>112,855</u>

Trade payables and amounts payable to Director related entities are non-interest bearing and are normally settled on 30 day terms.

### 12. TAX

#### (a) Liabilities

##### *Current*

Income Tax	<u>6,402</u>	<u>6,363</u>
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##### *Non-current*

Deferred tax liability comprises:

-Temporary difference	<u>120,477</u>	<u>21,003</u>
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#### (b) Assets

Deferred tax assets comprise:

-Share capital issue costs	94,660	127,410
-Unrealised loss on investments	4,495	29,718
-Audit fee accrued	-	6,000
	<u>99,155</u>	<u>163,128</u>

## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

### 12. TAX (CONT)

	2007 \$	2006 \$
<b>(c) Reconciliations</b>		
<i>(i) Gross movements</i>		
The overall movement in the deferred tax account is as follows:		
Opening balance	142,125	-
Charge to income statement	(8,747)	(46,855)
Credit to equity	(154,701)	188,980
Closing balance	<u>(21,323)</u>	<u>142,125</u>
<i>(ii) Deferred tax liability</i>		
The movement in deferred tax liability for each temporary difference during the year is as follows:		
Timing differences		
-Opening balance	21,003	-
- Charged to equity	129,478	-
-Charged to income statement	(30,004)	21,003
-Closing balance	<u>120,477</u>	<u>21,003</u>
<i>(iii) Deferred tax assets</i>		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Available for sale financial assets revaluation adjustments taken directly to equity		
-Opening balance	29,718	-
-Net revaluations during the period	(29,718)	29,718
-Closing balance	-	29,718
Timing differences		
-Opening balance	6,000	-
-Charged to income statement	(6,000)	6,000
-Closing balance	-	6,000
Share capital issue costs		
-Opening balance	127,410	-
-Share capital issue costs	4,495	159,262
-Charged to income statement	(32,750)	(31,852)
-Closing balance	<u>99,155</u>	<u>127,410</u>
<b>Total</b>	<u><u>99,155</u></u>	<u><u>163,128</u></u>

## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

### 13. ISSUED SECURITIES

	2007 No.	2006 No.
<b>Issued and paid-up capital</b>		
Stapled securities, fully paid	-	17,272,167
Ordinary shares, fully paid	15,464,952	-
	<u>15,464,952</u>	<u>17,272,167</u>

	Shares		Shares	
	2007 No.	2007 \$	2006 No.	2006 \$
<b>Movement in securities on issue</b>				
Balance at beginning of Year	17,272,167	16,900,556	-	-
Shares/Stapled securities issued	17,000	17,000	17,269,167	17,269,167
Conversion of shares	-	-	3,000	3,000
Shares bought back and cancelled	(1,824,215)	(1,786,629)	-	-
Issue costs	-	(10,490)	-	(371,611)
Balance at end of Year	<u>15,464,952</u>	<u>15,120,437</u>	<u>17,272,167</u>	<u>16,900,556</u>

	Options		Options	
	2007 No.	2007 \$	2006 No.	2006 \$
<b>Movement in options</b>				
Balance at beginning of Year	-	-	-	-
Options issued	17,272,167	17,272,167	-	-
Conversion of options to shares	(17,000)	(17,000)	-	-
Balance at end of Year	<u>17,255,167</u>	<u>17,255,167</u>	<u>-</u>	<u>-</u>

At 30 June 2007 the number of option holders was 566 and the total number of outstanding options was 17,255,167.

#### Terms and Conditions of Options

Each option holder entitles the holder to subscribe for one share in the Company up until 30 November 2007 at an exercise price of \$1.00 per share. All options lapse at the close of business on 30 November 2007 unless exercised beforehand.

Holders of shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held.

Each share entitles their holder to one vote, either in person or by proxy, at a meeting of the Company.

### 14. RESERVES

#### (a) Investment revaluation reserve

##### *Nature of reserve*

The investment revaluation reserve is used to accumulate unrealised capital profits and losses. The reserve can only be used in limited circumstances for payment of dividends.



## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

### 15. CASH FLOW INFORMATION

	2007 \$	2006 \$
Reconciliation of the net profit after tax to the net cash flows from operations		
Profit after income tax	20,502	124,177
Adjust for non cash items:		
-Less gain on sale of investments	(119,677)	-
-Less Colonial distribution reinvested	(199,417)	-
Adjusted Loss for the year	<u>(298,592)</u>	<u>124,177</u>
Tax effect on share issue costs charged to equity		31,852
Changes in assets and liabilities		
-Decrease / (Increase) in receivables	64,949	(119,352)
-(Increase) in other current assets	-	(35,020)
-(Decrease) / Increase in payables	(47,944)	112,355
-Increase in provision for taxation	39	6,363
-Decrease / (Increase) in deferred tax asset	63,973	(6,000)
-(Decrease) / Increase in deferred tax liability	(30,004)	21,003
Net cash flow (used in) / from operating activities	<u>(247,579)</u>	<u>135,378</u>

### 16. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Last year for the purposes of determining diluted earnings per share, it was assumed that no options were exercised as they were "out of the money" and any conversion would be anti-dilutive. However, this year the diluted earnings per share have been calculated and shown below as the closing share price on 29 June 2007 on ASX was \$ 1.08 and therefore the options are considered to be "in the money".

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2007 \$	2006 \$
Net profit/(loss) used in calculating basic and diluted earnings per share	<u>20,501</u>	<u>124,177</u>
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	16,522,685	2,132,075
Number of options at 30 June 2007	17,261,898	-
Total ordinary shares on issue and options at 30 June 2007	<u>33,784,583</u>	<u>-</u>
Basic earnings per share (cents per share)	0.12	5.8
Diluted earnings per share (cents per share)	0.06	5.8

## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

### 17. CONTINGENT LIABILITIES

On 16 September 2005, the Company and Growth Equities Corporation Limited (the "Manager") entered into a Management Agreement (the "Agreement"), appointing the Manager to manage generally the Company and to invest and manage all of the money, securities and other investments of the Company in accordance with the Agreement. This contract with Growth Equities Corporation Limited was terminated on 28 February 2007.

Growth Equities Corporation Limited through its solicitors has indicated that it intends to make a claim for wrongful termination of the contract and has instituted proceedings in the District Court of New South Wales against the Company claiming damages for breach of contract. The claim is not a liquidated one and no specific amount has been mentioned as being the quantum of the damages being claimed. The Company has instructed its solicitors, Gibsons Lawyers, to defend the proceedings and put on a Cross Claim. The Directors of the Company are of the view that no provision for this amount should be made in the financial statements at 30 June 2007, as the outcome is uncertain.

### 18. KEY MANAGEMENT PERSONNEL COMPENSATION

#### (a) Details of Key Management Personnel for all of the financial year unless otherwise shown were:

##### *Directors*

JL Addison Chairman (non-executive), appointed 19 April 2005

GA Birch Director (non-executive), appointed 12 May 2004; resigned 29 November 2006

EC Pohl Director (non-executive), appointed 19 April 2005

P Corrigan Director (non-executive), appointed 29 November 2006

#### (b) Compensation of Key Management Personnel

##### *Compensation policy*

The Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the key management personnel. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit.

##### *Executive personnel*

There are no executive personnel. Accordingly, all of the Company's directors are non-executives.

##### *Non-executive director compensation*

In accordance with the Company's Constitution and the ASX Listing Rules, the aggregate amount of remuneration payable to the non-executive Directors in any year is determined from time to time by shareholders in General Meetings. The last determination was at a General Meeting on 10 May 2006 when shareholders fixed an aggregate amount not exceeding \$150,000.

Within the limit of the aggregate amount determined by the shareholders, the Board determines the remuneration for non-executive Directors. The remuneration arrangements for the non-executive Directors is reviewed annually by the Board.

The Board assesses the appropriateness of the remuneration for non-executive Directors having regard to market practice, the duties and accountability of the non-executive Directors and the objective of maintaining a balanced Board which has appropriate expertise and experience, at a reasonable cost to the Company.

## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

### 18. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT)

The compensation of non-executive Directors for the year ending 30 June 2007 is shown in the table below:

		Base Fee \$	Total \$
Jon Addison	2007	15,000	15,000
	2006	2,176	2,176
George Birch	2007	10,000	10,000
	2006	1,451	1,451
Emmanuel Pohl	2007	10,000	10,000
	2006	1,451	1,451
Patrick Corrigan	2007	6,461	6,461
Total	2007	41,461	41,461
Total	2006	5,078	5,078

#### Number of shares held by key management personnel or related parties

	Balance 1 July 2006	Net Change	Balance 30 June 2007
Jon Addison	-	-	-
George Birch <sup>(1)</sup>	3,000	(3,000)	-
Emmanuel Pohl <sup>(2)</sup>	5,000	-	5,000
Pat Corrigan	-	5,000	5,000

<sup>(1)</sup> The securities in the Company were owned by Growth Equities Corporation Limited, the Manager of the Company until 28 February 2007, a company in which he was a substantial shareholder and director during the year

<sup>(2)</sup> In addition to the securities owned directly by Dr Pohl, there are 6,760,429 shares registered in entities associated with Hyperion Asset Management Limited, of which he is a director.

### 19. RELATED PARTY TRANSACTIONS

#### Key management personnel

During the year, the Company paid management fee of \$115,895 to Growth Equities Corporation Limited ("GEC"), a Company in which George Birch was a substantial shareholder and was a director until 1 June 2007. This payment was made in accordance with the Management Agreement (refer to note 17). On 1 March 2007 Brian Jones was appointed company secretary. He is the principal of a chartered accountancy firm, CalverJones, which provides accounting, taxation and secretarial services to the company.

## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

2007                      2006  
\$                              \$

### 20. AUDITORS' REMUNERATION

The auditors of the Company are Grant Thornton NSW

Amounts received or due and receivable by Grant Thornton NSW for:

-audit and review of the financial report of the Company	23,508	23,750
	23,508	23,750

### 21. SEGMENT INFORMATION

The Company is domiciled and incorporated in Australia.

The Company's principal activity is investment in quoted equities, principally Berkshire Hathaway Inc listed on the New York Stock Exchange, and other securities on a worldwide basis. Details of these investments are disclosed in the List of Investments.

The Company operates in only one business and geographic sector.

### 22. FINANCIAL INSTRUMENTS

#### Financial risk management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable and listed and unlisted securities. The main risks the Company is exposed to through the financial instruments are interest rate risk and currency risk.

#### (a) Interest rate risk

The Company's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at balance date, both recognised and unrecognised at the reporting date, are as follows:

	Effective interest rate %	6 months or less \$	Total \$
<b>2007</b>			
<b>Financial assets</b>			
Cash and cash equivalent	4.75%	89,769	89,769

All other financial assets and liabilities are non - interest bearing – apart from the investment in Colonial Wholesale Funds which has a return of approximately 6.5%.

## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

### 22. FINANCIAL INSTRUMENTS (CONT)

#### (b) Currency risk

The Company's investment portfolio includes investment, cash on deposit and interest receivable denominated in US dollars and as such, the Company's balance sheet can be affected significantly by movements in exchange rates. The Company's current policy is not to hedge its investment portfolio. The carrying value of these foreign currency denominated assets at balance date was as follows:

	Carrying amount \$
Cash and cash equivalents	2,172
Trade and other receivables	-
Investments	<u>12,296,520</u>
	<u>12,298,692</u>

#### (c) Credit risk

The Company is not a trading entity. The maximum exposure to credit risk at balance date in relation to each class of financial assets (excluding investments) is the carrying amount of those assets as indicated in the balance sheet. The Company has no commercial debtors and receivables are due from reputable companies listed on the world's stock exchange or major financial banking institutions.

With respect to credit risk on cash and investments, the Company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of those investments.

The Company's business activities do not necessitate the requirement for collateral.

#### (d) Net fair value

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

**Cash, cash equivalents and short-term investments:** The carrying amount approximates fair value because of their short term to maturity.

**Trade receivables and payables:** The carrying amount approximates fair value as the time to receipt or payment is usually less than 30 days.

**Listed shares:** The current quoted market bid price approximates fair value and the carrying amount.

The carrying value of all the financial assets and liabilities of the Company as disclosed in the balance sheet and notes to the financial statements is the same as the net fair value.

### 23. SUBSEQUENT EVENTS

No matters or occurrences have arisen subsequent to balance date that materially effects the operations of the Company.

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Global Masters Fund Limited ("the Company") we state that –

1. In the opinion of the directors of the Company:
  - (a) the financial statements and notes including the remuneration disclosures that are contained in the remuneration report in the Director's report are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position as at 30 June 2007 and of its performance as represented by the results of its operations and its cash flows, for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
  - (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.
2. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2007 pursuant to Section 295A of the Corporations Act 2001.

In accordance with a resolution of the directors.

On behalf of the Board



**Jonathan L Addison**  
*Chairman*  
Sydney  
28 September 2007

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF GLOBAL MASTERS FUND LIMITED 35 078 166 122**

We have audited the accompanying financial report of Global Masters Fund Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the Directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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, which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of 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 circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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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 complied with the independence requirements of the Corporations Act 2001.

**Auditor's opinion**

In our opinion:

- (a) The financial report of Global Masters 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 2007 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.



GRANT THORNTON NSW  
Chartered Accountants



A J ARCHER  
Partner

Sydney

28 September 2007



## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows:

### (a) Distribution of shares (as at 30 June 2007)

The number of holders, by size of holding:

		Number of holders	Number of Shares
1	- 1,000	17	13,088
1,001	- 5,000	273	1,267,055
5,001	- 10,000	62	453,000
10,001	- 100,000	200	3,758,508
100,001	and over	5	9,973,301
		<u>557</u>	<u>15,464,952</u>

The number of shareholders holding less than a marketable parcel of shares is: 2

### (b) Twenty largest shareholders (as at 30 June 2007)

The names of the twenty largest holders of quoted Ordinary Shares are:

	Ordinary Shares	
	Ordinary Shares	% of Ordinary Shares
1. National Nominees Limited	6,619,771	42.80
2. National Exchange Pty Ltd	2,960,272	19.14
3. Discount Assets Limited	150,000	0.97
4. ANZ Nominees Limited	141,258	0.91
5. Peter Leece	102,000	0.66
6. Opal Orthodontics Pty Ltd	100,000	0.65
7. BT Portfolio Services Ltd (The Leyda Superannuation Fund)	100,000	0.65
8. KM Bock Pty Ltd <Superannuation Fund A/C>	100,000	0.65
9. Aussie Capital Holdings Pty Ltd (Parker Family Super)	100,000	0.65
10. Andrew David Parker	70,000	0.45
11. William Paul Chun Tie & Orleena Moo	60,000	0.39
12. Sarah Margaret & Michael Smith	50,000	0.32
13. Wendy Sinn	50,000	0.32
14. Secretarial Help Pty Ltd	50,000	0.32
15. Grant Lester Sew & Wai-lean Hoy	50,000	0.32
16. Lochrie Pty Ltd	50,000	0.32
17. Ronald Maxwell & Leona Josephine Bailey	50,000	0.32
18. Mr Christopher Ernest Wilson	40,000	0.26
19. J Barlow Consultants Pty Ltd	35,000	0.23
20. Dexia Investor Services Australia Nominees Pty Limited	32,000	0.21
	<u>10,910,301</u>	<u>70.11</u>

Total shares at 30 June 2007

15,464,952

## ASX ADDITIONAL INFORMATION

### (c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Ordinary Shares	% of Ordinary Shares
Hyperion Asset Management Limited & associated entities	6,760,429	42.80
National Exchange Pty Ltd	2,960,272	19.14

### (d) Voting rights

All Ordinary Shares carry one vote per security without restriction.

### (e) List of investments as at 30 June 2007

	Shares/Units held	A\$ value	% of total
<b>United States</b>			
Berkshire Hathaway Inc "A" Stock	60	7,747,060	49.8
Berkshire Hathaway Inc "B" Stock	1,070	4,549,460	29.2
Total of listed investments		12,296,520	
<b>Non-listed Australia</b>			
Colonial First State Wholesale Income Fund	3,655,404	3,259,016	21.0
Total portfolio		15,555,536	100.0

### (f) Portfolio transactions

The total number of transactions in securities during the reporting year was 20. The total brokerage paid or accrued during the period amounted to \$5,125.

### (g) Current on-market buy-back

There is a current on market buy-back which the shareholders approved on 20 March 2007. The Company will undertake an annual buy-back for the next two years. Each buy-back will be limited to a maximum of 10% of the Company's outstanding capital and will be made at net asset value per share less an administration fee of 5%.

## CORPORATE INFORMATION

### Directors

Jonathan Addison (Chairman)  
Emmanuel Pohl  
Patrick Corrigan

### Company Secretary

Brian Jones

### Registered Office

1 Loch Maree Avenue  
Thornleigh NSW 2120  
Tel: 02 9484 8255  
Fax: 02 9484 8785

### Share Register

Link Registry Services Limited  
Level 22, 300 Queen Street  
Brisbane QLD 4000

### Auditors

Grant Thornton NSW  
Level 17, 383 Kent Street  
Sydney NSW 2000

### Internet Address

[www.globalmastersfund.com.au](http://www.globalmastersfund.com.au)



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