



MIRRABOOKA

Investments Limited

A.B.N 31 085 290 928

**APPENDIX 4E STATEMENT
FOR THE YEAR ENDING 30 JUNE 2013**

CONTENTS

- Results for announcement to the market
- Media Release
- Appendix 4E Accounts

These documents comprise the preliminary final report given to ASX under listing rule 4.3A

PRELIMINARY RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2013 with the corresponding period being the year ended 30 June 2012.

These preliminary results are based on financial statements that are in the process of being audited.

Results for announcement to the market

- Net Profit attributable to members (including capital gains on puttable instruments and non-equity investments) was \$10.3 million, down 19.7% from the previous corresponding period.
- Net operating result after tax was \$8.3 million, 0.8% down on the previous corresponding period.
- Net profit per share was 7.46 cents, down 20.5% on the previous corresponding period. Net operating result per share was 6.03 cents, down 1.6% from 6.13 cents the previous corresponding period.
- Revenue from operating activities was \$9.9 million, 6.7% down from the previous corresponding period.
- The interim dividend for the 2013 financial year was 3.5 cents per share fully franked (the same as last year), and it was paid to shareholders on 12 February 2013.
- The final dividend of 6.5 cents per share fully franked, the same as last year, plus a 5 cent per share special dividend, also fully franked, will be paid on 9 August 2013 to shareholders on the register on 31 July 2013. Shares are expected to trade ex-dividend from 25 July 2013.
- 4 cents of the 6.5 cents final dividend and the entire 5 cent special dividend are sourced from capital gains, on which the Company has paid or will pay tax. The amount of the pre-tax attributable gain, known as an "LIC capital gain", is therefore 12.9 cents. This enables some shareholders to claim a tax deduction in their tax return. Further details will be on the dividend statements.
- The Company's Dividend Reinvestment Plan is in operation for the final and special dividends, under which shareholders may elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares will be based on a 5% discount to the average selling price of shares traded on the Australian Securities Exchange in the five days from the day the shares begin trading on an ex-dividend basis. The last day for the receipt of an election notice for participation in the plan is 31 July 2013.
- Net asset backing per share before the provision for deferred tax on the unrealised gains in the Company's investment portfolio as at 30 June 2013 was \$2.11 (before allowing for the final & special dividend), up from \$1.87 at the end of the previous corresponding period (also before allowing for the final dividend).
- The 2013 AGM will be held at the RACV City Club, Melbourne, at 1.30 PM on Monday 7th October.



Media Release – Full Year Result for the 2013 Financial Year

STRONG PORTFOLIO OUTCOME AND SPECIAL DIVIDEND

Mirrabooka Investments is a medium to long term investor in mid-sized and small companies. Mirrabooka's total portfolio return, including dividends paid, was 18.9%. This compares with the benchmark combined small and midcap market index which was up 4.8%. This outcome in part reflects Mirrabooka's low exposure to the mid and small cap resources sectors which were down significantly over the year. The five year return for the portfolio is 7.2% per annum against the benchmark return of negative 3.5% per annum.

The Company maintained its normal final dividend of 6.5 cents per share fully franked. It also declared a one-off special dividend of 5 cents per share fully franked sourced from large after-tax realised gains made during the year including the sale of two of Mirrabooka's largest holdings, Hastings Diversified Utilities Fund and Australian Infrastructure Fund.

Mirrabooka's Reported Profit was \$10.3 million for the twelve months to 30 June 2013 compared with \$12.8 million last year.

Net Operating Result, which measures the underlying income generated by the portfolio, was \$8.3 million, down marginally from \$8.4 million last year.

Best performing stocks in the portfolio over the year were REA Group, Austbrokers Holdings, Tox Free Solutions, Australian Infrastructure Fund and Invokecare.

The disposal of two of our largest holdings through takeover activity and other sales in overvalued stocks gave us the opportunity to significantly rebalance the portfolio. A number of new companies were added, including Bega Cheese, Brickworks, BlueScope Steel, Ingenia Communities Group, Horizon Oil, Seek and Vocus Communications. We also made a major addition to our existing investment in Toll Holdings.

Domestic economic conditions, which are a barometer of the performance of the small and mid-cap sectors, are currently difficult. Business confidence remains subdued from the combination of poor consumer sentiment, the high Australian dollar, labour market conditions, the passing of the peak in mining investment and policy uncertainty. However sentiment can turn around relatively quickly if these headwinds abate. We believe Mirrabooka's portfolio is currently well positioned with spare capacity for further investment as we find opportunities.

Please direct any enquiries to:

Ross Barker
Managing Director
(03) 9225 2101

Geoff Driver
General Manager
(03) 9225 2102

10 July 2013

MAJOR CHANGES TO THE INVESTMENT PORTFOLIO

A. Acquisitions (above \$2 million)	Cost \$'000
Bega Cheese*	3,728
Toll Holdings	3,212
Brickworks*	3,031
BlueScope Steel*	2,601
Ingenia Communities Group*	2,514
Horizon Oil*	2,514
Seek*	2,468
Vocus Communications*	2,391

* new stock in the portfolio

B. Disposals (above \$2 million)	Proceeds \$'000
Hastings Diversified Utilities Fund ^(a)	22,005
Australian Infrastructure Fund ^(b)	16,371
Fleetwood Corporation	4,373
Tox Free Solutions	3,275
REA Group	3,177
G8 Education	2,810
Mermaid Marine	2,795
Ramsay Health Care	2,393
ASG Group	2,270

(a) Sold while under takeover by APA Group

(b) Takeover by The Future Fund

TOP INVESTMENTS AS AT 30 JUNE 2013

Includes investments held in both the Investment and Trading Portfolios

Valued at closing prices at 28 June 2013

	Total Value \$'000
1 Tox Free Solutions	13,800
2 ALS	12,933
3 Austbrokers Holdings	12,715
4 Oil Search	11,688
5 James Hardie Industries	10,611
6 InvoCare	10,527
7 IRESS	9,375
8 Ansell	8,551
9 REA Group	7,516
10 Coca-Cola Amatil	7,488
11 Tassal Group	7,485
12 Ramsay Health Care	6,804
13 Equity Trustees	5,895
14 Toll Holdings	5,586
15 Alumina	5,242
16 Perpetual	5,205
17 Senex Energy	5,015
18 Fletcher Building	4,712
19 Bega Cheese	4,608
20 Cromwell Property Group	4,583
	<hr/> 160,339 <hr/>
As % of Total Portfolio (excludes Cash)	61.0%

PORTFOLIO PERFORMANCE TO 30 JUNE 2013

PERFORMANCE MEASURES	ANNUALISED RETURNS			
	1 YEAR	3 YEARS	5 YEARS	10 YEARS
NET ASSET BACKING	18.9%	12.5%	7.2%	11.6%
S&P/ASX MID 50's ACCUMULATION INDEX	15.0%	4.7%	-1.3%	8.2%
S&P/ASX SMALL ORDINARIES ACCUMULATION INDEX	-5.3%	-2.0%	-5.7%	5.7%
COMBINED S&P/ASX MID 50's & SMALL ORDINARIES ACCUMULATION INDEX	4.8%	1.3%	-3.5%	7.0%
NET ASSET BACKING GROSS ACCUMULATION*	21.2%	14.8%	9.6%	13.7%
COMBINED S&P/ASX MID 50's & SMALL ORDINARIES GROSS ACCUMULATION INDEX*	5.9%	2.5%	-2.5%	8.0%

*Incorporates the benefit of franking credits for those who can fully utilise them

HOLDINGS OF SECURITIES AS AT 30 JUNE 2013

Details of the Company's portfolios are given below. The list should not, however, be used to evaluate portfolio performance or to determine the net asset backing per share (which is recorded each month on the toll-free telephone service at 1800 780 784), as individual holdings in the portfolio may change.

Unless otherwise stated, the securities in this list are fully paid ordinary shares, trust units, stapled securities or convertible notes.

Code	Company	Principal activities	Number held 2012 '000	Number held 2013 '000	Market Value 2013 \$'000
TOX	Tox Free Solutions	Integrated waste management and environmental service business	4,648	4,000	13,800
ALQ	ALS Limited	Provider of analytical laboratory services	273	1,350	12,933
AUB	Austbrokers Holdings	Investor in a network of small to medium Australian insurance brokers	1,121	1,167	12,715
OSH	Oil Search	Oil and gas explorer, developer and producer with assets predominantly in PNG	1,504	1,512	11,688
JHX	James Hardie Industries	Building materials company focused on fibre cement products, predominantly in the USA	1,130	1,130	10,611
IVC	InvoCare	Provider of services related to funerals, burials and cremations	975	925	10,527
IRE	IRESS	Provider of share market and wealth management information systems	1,250	1,250	9,375
ANN	Ansell	Designs, manufactures and distributes a wide range of industrial, surgical and examination gloves and other protective products	570	485	8,551
REA	REA Group	Operator of residential and commercial real estate advertising websites in Australia and Italy	393	273	7,516
CCL	Coca-Cola Amatil	Manufactures and distributes a range of carbonated soft drinks, fruit products and other beverages	589	589	7,488
TGR	Tassal Group	Producer of Atlantic Salmon from Tasmania	2,189	3,055	7,485
RHC	Ramsay Health Care	Private hospital operator with hospitals in Australia, the UK, France and Indonesia	270	190	6,804
EQT	Equity Trustees	Provider of private client, trustee, estate administration and funds management services	383	396	5,895
TOL	Toll Holdings	Transport and logistics group operating in the Asia Pacific region	400	1,050	5,586
AWC	Alumina	Has a 40 per cent interest in a joint venture with Alcoa involved in bauxite mining, alumina refining and aluminium smelting	4,672	5,322	5,242
PPT	Perpetual	Diversified financial company offering investment management, financial advice and corporate trust services	147	147	5,205
SXY	Senex Energy	Oil and gas explorer and developer with assets in South Australia and Queensland	8,500	8,500	5,015

Code	Company	Principal activities	Number held 2012 '000	Number held 2013 '000	Market Value 2013 \$'000
FBU	Fletcher Building	Diversified building materials company with activities in manufacturing, construction and distribution predominantly in New Zealand and Australia	630	660	4,712
BGA	Bega Cheese	Integrated manufacturer and distributor of cheeses and related dairy products for Australia's domestic retail market and several export destinations	0	1,786	4,608
CMW	Cromwell Property	Real Estate Investment Trust with a portfolio of predominantly CBD office assets and a property funds management business	2,800	4,701	4,583
ARP	ARB Corporation	Manufacturer and distributor of four-wheel drive vehicle accessories in Australia and internationally	396	396	4,516
ILU	Iluka Resources	Miner of zircon and titanium based mineral sands products with an additional iron ore production royalty	300	450	4,495
BGL	BigAir Group	Provider of wireless broadband solutions for business and university campus environments	5,926	7,000	4,200
NUF	Nufarm	Agricultural chemical company that manufactures and sells crop protection and seeds products globally	620	900	4,194
AHD	Amalgamated Holdings	Entertainment, hospitality and leisure company, with interests in cinemas, hotels and resorts	450	485	4,011
WLL	Wellcom Group	Production company providing pre media, digital asset management and specialty printing services to advertisers, retailers and other corporations	1,907	1,463	3,569
MRM	Mermaid Marine Australia	Provider of supply base and vessel services to the offshore oil and gas industry	1,676	1,000	3,520
BSL	Bluescope Steel	The leading integrated steel company in Australia & New Zealand, with specialised manufacturing in the US and Asia	0	750	3,503
BKW	Brickworks	Australia's largest manufacturer of bricks and pavers, with other investments in property development and listed equities	0	262	3,327
BKN	Bradken	Manufacturer and supplier of consumable and capital products to the resources, freight rail and industrial sectors	1,028	750	3,232
FNP	Freedom Foods	Specialist producer of allergen-free foods, with related packaging and marketing interests in dairy and seafood	0	1,957	3,229

Code	Company	Principal activities	Number held 2012 '000	Number held 2013 '000	Market Value 2013 \$'000
QUB	Qube Holdings	Provider of import and export logistics services with national operations	975	1,919	3,195
SEK	Seek	Operator of employment classifieds websites in Australia and offshore with interests in education and training	0	345	3,129
TCL	Transurban Group	Developer and operator of electronic toll roads in Australia and the US	460	460	3,113
RMD	ResMed	Leading developer, manufacturer and distributor of medical equipment for treating, diagnosing, and managing sleep-disordered breathing and other respiratory disorders	600	600	3,000
REH	Reece Australia	Distributor and retailer of plumbing, building and hardware supplies	45	122	2,906
VOC	Vocus Communications	Provider of data centre, voice, and international Internet connectivity to telecommunications companies, Internet Service Providers and corporate customers	0	1,379	2,895
ISU	iSelect	Operator of price comparison information website and booking services for insurance and other financial products	1,940	1,600	2,721
INA	Ingenia Communities	Owner, operator and developer of a diversified portfolio of seniors housing communities	0	7,805	2,693
TRU	Trust Company	Provider of corporate trustee and custodian services and personal advisory services	508	475	2,608
BLD	Boral	Provides building and construction materials in Australia, the USA and Asia	660	550	2,316
JBH	JB Hi-Fi	Retailer of audio visual equipment and content, consumer electronics and technology-related accessories	0	120	2,017
IPP	iProperty Group	Operates real estate websites in Asian markets including Malaysia, Singapore, Hong Kong and Indonesia	1,700	2,497	1,873
HZN	Horizon Oil	Oil & gas explorer & producer with acreage in Papua New Guinea and offshore interests in China and New Zealand	0	5,500	1,787
IPL	Incitec Pivot	Manufacturer and supplier of nitrogen based fertiliser and industrial explosives	605	605	1,729
CKL	Colorpak	Packaging company with clients in the pharmaceutical, healthcare, food, cosmetics and wine industries	2,400	2,400	1,692

Code	Company	Principal activities	Number held 2012 '000	Number held 2013 '000	Market Value 2013 \$'000
AWE	AWE	Oil and gas company with production, development and exploration assets in Australia, New Zealand, USA and Indonesia	0	1,300	1,612
BRU	Buru Energy	Oil and gas company exploring and developing resources in the Canning Basin, in the Kimberley region of Western Australia	600	1,200	1,464
NHC	New Hope Corporation	Integrated energy company, predominantly operating open cut coal mines in Queensland	0	400	1,428
DMP	Domino's Pizza Enterprises	Holds the exclusive master franchise rights for the Domino's Pizza brand and network in Australia, New Zealand, France, Belgium, and the Netherlands	127	127	1,417
TAP	Tap Oil	Oil and gas exploration and production company with interests in Australia, Africa and South East Asia	0	3,000	1,410
CDP	Carindale Property Trust	Holds a 50% interest in the Westfield Carindale Shopping Centre, southeast of Brisbane	255	255	1,397
BKL	Blackmores	Natural healthcare company that distributes premium branded vitamins and supplements in Australia and South East Asia	19	50	1,360
WBB	Wide Bay Australia	Approved deposit taking institution based in Queensland, offering a full suite of retail banking products and services	344	250	1,313
ICQ	iCar Asia	Operator of a network of automotive-related classifieds websites across South East Asia	0	2,750	1,238
LSX	Lion Selection Group	Mining investment company that invests in, and provides funding to, mining companies in the project development phase	0	2,211	1,172
ASB	Austal	Specialises in the design, construction and maintenance of high performance aluminium vessels for defence and commercial purposes	0	1,500	1,133
PEA	Pacific Energy	Developer and owner of power station infrastructure for remote mine locations	2,812	2,812	1,125
COE	Cooper Energy	Oil and gas explorer and producer with a primary focus on projects located in the Cooper/Eromanga and Otway Basins	2,500	2,500	938
WCB	Warrnambool Cheese and Butter	Produces a range of dairy products for domestic and export markets	0	206	802

Code	Company	Principal activities	Number held 2012 '000	Number held 2013 '000	Market Value 2013 \$'000
NFNG	Nufarm Step-Up Securities	Agricultural chemical company that manufactures and sells crop protection and seeds products globally	0	10	794
TWE	Treasury Wine Estate	Wine company with over 50 brands produced in Australia, New Zealand, the USA and Italy and sold globally	130	130	757
TSE	Transfield Services	Operations, maintenance and construction services business, operating globally in the resources, energy, industrial, infrastructure, property and defence sectors	0	900	693
COI	Comet Ridge	Energy company focused on Coal Seam Gas exploration and appraisal with prospective projects in Australia and New Zealand	0	2,993	658
PPCG	Peet 9.5% Convertible Notes	Involved in the acquisition, management, development and marketing of broadacre residential land estates	7	7	657
MML	Medusa Mining	Australian-based gold producer, focused on two deposits in the Philippines	0	400	618
RUM	Rum Jungle Resources	Junior minerals explorer and developer, with prospective phosphate and potash projects in the Northern Territory	0	3,407	426
BUL	Blue Energy	Focussed on the development of Coal Seam Gas, Natural Gas and Conventional Oil resources within eastern Australia	0	9,030	379
VRT	Virtus Health	Provider of assisted reproductive services and other fertility care through a network of clinics laboratories and day hospitals	0	25	161
#	Unilife Corporation Options	Design, develop and supply a portfolio of clinical and prefilled safety syringes for the healthcare and pharmaceutical markets	100	100	0
TOTAL					262,761

Unlisted stock

FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
Dividends and distributions		9,050	9,787
Revenue from deposits and bank bills		873	842
Other revenue		12	16
Total revenue		9,935	10,645
Net gains/(losses) on trading portfolio		404	(111)
Income from options written portfolio	12	36	98
Income from operating activities		10,375	10,632
Administration expenses		(1,984)	(2,006)
Operating result before income tax expense	4	8,391	8,626
Income tax expense*	5	(98)	(268)
Net operating result for the year		8,293	8,358
Net gains/(losses) on investments			
Net gains/(losses) on open options positions		-	(88)
Deferred tax on net gains/(losses) on open options positions*	5	-	26
Net gains/(losses) on puttable instruments and non-equity investments		2,819	6,419
Tax on net gains/(losses) on puttable instruments and non-equity investments*	5	(846)	(1,926)
		1,973	4,431
Profit for the year		10,266	12,789
		Cents	Cents
Basic earnings per share	21	7.46	9.38
		2013	2012
		\$'000	\$'000
* Total Tax Expense	5	944	2,168

This Income Statement should be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Year to 30 June 2013			Year to 30 June 2012		
	Revenue \$'000	Capital \$'000	Total \$'000	Revenue \$'000	Capital \$'000	Total \$'000
Profit for the year	8,293	1,973	10,266	8,358	4,431	12,789
Other Comprehensive Income						
Unrealised gains/(losses) for the period on securities in the portfolio at 30 June	-	40,197	40,197	-	(2,185)	(2,185)
Deferred tax expense on above	-	(12,516)	(12,516)	-	528	528
Plus gains/(losses) for the period on securities realised during the period	-	4,164	4,164	-	(3,779)	(3,779)
Tax expense on above	-	(1,296)	(1,296)	-	913	913
Total Other Comprehensive Income^{1, 3}	-	30,549	30,549	-	(4,523)	(4,523)
Total comprehensive income²	8,293	32,522	40,815	8,358	(92)	8,266

¹ These are the net capital gains/(losses) not recorded through the Income Statement. Capital includes the unrealised gains or losses on open options positions.

² This is the company's Net Return for the year, which includes the Net Operating Result plus the net realised and unrealised gains or losses on the Company's investment portfolio and net gains/(losses) on open options positions.

³ Total tax movement in Other Comprehensive Income : 2013 : \$(13.8)m; 2012 : \$1.4m.

Note that none of the items included in Other Comprehensive Income will be recycled through the Income Statement.

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

BALANCE SHEET AS AT 30 JUNE 2013

	Note	2013 \$'000	2012 \$'000
Current assets			
Cash	6	34,191	15,859
Receivables	7	3,128	2,130
Trading portfolio	8	943	662
Total current assets		38,262	18,651
Non-current assets			
Investment portfolio	9	261,818	238,234
Total non-current assets		261,818	238,234
Total assets		300,080	256,885
Current liabilities			
Payables	11	442	1,082
Tax payable		8,832	238
Total current liabilities		9,274	1,320
Non-current liabilities			
Deferred tax liabilities	10	173	135
Deferred tax liabilities - investment portfolio	13	26,041	19,958
Total non-current liabilities		26,214	20,093
Total liabilities		35,488	21,413
Net Assets		264,592	235,472
Shareholders' equity			
Share Capital	14	154,045	152,033
Revaluation Reserve	16	50,162	35,723
Realised Capital Gains Reserve	17	46,760	34,150
Retained Profits	18	13,625	13,566
Total shareholders' equity		264,592	235,472

This Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

Year Ended 30 June 2013	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains \$'000	Retained Profits \$'000	Total \$'000
Total equity at the beginning of the year		152,033	35,723	34,150	13,566	235,472
Dividends paid	20	-	-	(5,473)	(8,234)	(13,707)
Shares issued under Dividend Reinvestment Plan	14	2,021	-	-	-	2,021
Other Share Capital Adjustments	14	(9)	-	-	-	(9)
Total transactions with shareholders		2,012	-	(5,473)	(8,234)	(11,695)
Profit for the year		-	1,973	-	8,293	10,266
<i>Other Comprehensive Income (net of tax)</i>						
Net unrealised gains for the period for stocks held at 30 June		-	27,681	-	-	27,681
Net gains for the period on securities sold		-	2,868	-	-	2,868
Transfer to Realised Capital Gains of cumulative gains on investments sold		-	(18,083)	18,083	-	-
Other Comprehensive Income for the year		-	12,466	18,083	-	30,549
Total equity at the end of the year		154,045	50,162	46,760	13,625	264,592

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013 (CONT)

Year Ended 30 June 2012	Note	Share Capital \$'000	Revaluation Reserve \$'000	Realised Capital Gains \$'000	Retained Profits \$'000	Total \$'000
Total equity at the beginning of the year		149,737	33,847	40,904	14,001	238,489
Dividends paid	20	-	-	(4,337)	(9,242)	(13,579)
Shares issued under Dividend Reinvestment Plan	14	2,307	-	-	-	2,307
Other Share Capital Adjustments	14	(11)	-	-	-	(11)
Total transactions with shareholders		2,296	-	(4,337)	(9,242)	(11,283)
Profit for the year		-	4,493	-	8,296	12,789
Other Comprehensive Income (net of tax)						
Net unrealised losses for the period for stocks held at 30 June		-	(1,657)	-	-	(1,657)
Net losses for the period on securities sold		-	(2,866)	-	-	(2,866)
Transfer to Realised Capital Gains of cumulative losses on investments sold		-	2,417	(2,417)	-	-
Tax charge recognised in prior years on scrip-for-scrip takeovers		-	(511)	-	511	-
Other Comprehensive Income for the year		-	(2,617)	(2,417)	511	(4,523)
Total equity at the end of the year		152,033	35,723	34,150	13,566	235,472

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

		2013 \$'000	2012 \$'000
	Note	INFLOWS/ (OUTFLOWS)	INFLOWS/ (OUTFLOWS)
Cash flows from operating activities			
Sales from trading portfolio		2,671	3,665
Purchases for trading portfolio		(1,827)	(928)
Interest received		964	887
Proceeds from entering into options in options written portfolio		71	8
Payment to close out options in options written portfolio		(35)	-
Dividends and distributions received		7,633	7,630
		9,477	11,262
Other receipts		12	16
Administration expenses		(2,001)	(1,977)
Income taxes paid		(30)	(222)
Net cash inflow/(outflow) from operating activities	25	7,458	9,079
Cash flows from investing activities			
Sales from investment portfolio		84,110	44,803
Purchases for investment portfolio		(61,522)	(45,174)
Tax paid on capital gains		(20)	(604)
Net cash inflow/(outflow) from investing activities		22,568	(975)
Cash flows from financing activities			
Share issue transaction costs		(9)	(11)
Dividends paid		(11,685)	(11,272)
Net cash inflow/(outflow) from financing activities		(11,694)	(11,283)
Net increase/(decrease) in cash held		18,332	(3,179)
Cash at the beginning of the year		15,859	19,038
Cash at the end of the year	6	34,191	15,859

This Cash Flow Statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. This financial report has been authorised for issue and is presented in the Australian currency. The Company has the power to amend and reissue the financial report.

The Company has attempted to improve the transparency of its reporting by adopting 'plain English' where possible. Key 'plain English' phrases and their equivalent AASB terminology are as follows:

Phrase	AASB Terminology
Market Value	Fair Value for Actively Traded Securities
Cash	Cash & Cash Equivalents
Share Capital	Contributed Equity
Options	Derivatives written over equity instruments that are valued at fair value through Profit or Loss

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS). The Company is a 'for profit' entity.

The Company has not applied any Australian Accounting Standards or AASB interpretations that have been issued as at balance date but are not yet operative for the year ended 30 June 2013 ("the inoperative standards"). The impact of the inoperative standards has been assessed and the impact has been identified as not being material. The Company only intends to adopt inoperative standards at the date at which their adoption becomes mandatory.

a) Basis of accounting

The financial statements are prepared using the valuation methods described below for holdings of securities, including options. All other items have been treated in accordance with the historical cost convention.

b) Holdings of securities

(i) Balance sheet classification

The Company has three discrete portfolios of securities, the investment portfolio, the options written portfolio and the trading portfolio. The purchase and the sale of securities are accounted for at the date of trade.

The investment portfolio relates to holdings of securities which the Directors intend to retain on a long-term basis.

The options written portfolio contains exchange traded options contracts that are entered into as described in Note 12.

The trading portfolio comprises securities held for short term trading purposes, including exchange traded options contracts that are entered into as described in Note 8.

Securities within the investment portfolio (with the exception of puttable instruments or convertible notes that are classified as 'debt') are classified as 'financial assets measured at fair value through other comprehensive income', and are designated as such upon initial recognition, whereas puttable instruments and convertible notes that are classified as debt in the investment portfolio and securities held within the trading portfolio are classified as 'mandatorily measured at fair value through profit or loss in accordance with AASB 9'.

The designation of securities within the investment portfolio as ‘financial assets measured at fair value through other comprehensive income’ is consistent with the Directors’ view of these assets as being held for the long-term for both capital growth and for the provision to the Company of dividends and distribution income rather than to make a profit from the sale of such securities, which is the purpose of securities held within the trading portfolio. Puttable instruments and convertible notes that are classified as debt are required to be classified at “fair value through profit or loss” although the Directors also view these assets as being held for the long-term for both capital growth and for the provision to the Company of distribution income and their being managed as part of the investment portfolio.

(ii) Valuation of investment portfolio

Securities, including listed and unlisted shares and hybrids, are initially brought to account at market value, which is the cost of acquisition, and are revalued to market values continuously, or fair value using a variety of relevant methodologies if there is no active market. Increments and decrements on Ordinary Securities that are equity instruments are recognised as Other Comprehensive Income and taken to the Revaluation Reserve.

Gains and losses on puttable instruments and convertible notes that are classified as debt are recognised in profit or loss. However, they are subsequently transferred from Retained Profits to the Revaluation Reserve.

Where disposal of an investment occurs any revaluation increment or decrement relating to it is transferred from the Revaluation Reserve to the Realisation Reserve. The amounts of such transfers are noted in the Statement of Changes in Equity, and are done primarily to isolate the realised gains out of which the Company can pay a ‘Listed Investment Company’ or ‘LIC’ gain as part of its dividend, which conveys certain taxation benefits to many of the Company’s shareholders.

(iii) Valuation of trading portfolio

Securities, including listed and unlisted shares and options, are initially brought to account at market value, which is the cost of acquisition, or proceeds in the case of options written, and are revalued to market values (where applicable) continuously.

Increments and decrements on the value of securities in the trading portfolio are taken to Profit or Loss through the Income Statement.

(iv) Valuation of options written portfolio

Options written are initially brought to account at the amount received upfront for entering into the contract (the premium) and subsequently revalued to current market value.

(v) Income from holdings of securities

Distributions relating to listed securities are recognised as income when those securities are quoted in the market on an ex-distribution basis and distributions relating to unlisted securities are recognised as income when received. If the distributions are capital returns on ordinary shares the amount of the distribution is treated as an adjustment to the carrying value of the shares.

The realised gain or loss on options written is not recognised until the option expires, is exercised or is closed out. All unrealised gains or losses which represent movements in the Market Value of the options are recognised through the Income Statement.

c) Taxation

The income tax expense or credit for the period is the tax payable on the current period’s taxable income adjusted by any unused tax losses and changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities

and their carrying amounts in the financial statements. Deferred tax assets and liabilities (excluding those related to the unrealised gains or losses in the investment portfolio) are offset as all current and deferred taxes relate to the Australian Taxation Office and can legally be settled on a net basis.

A tax provision is made for the unrealised gain or loss on securities valued at fair value through the Income Statement – i.e. the trading portfolio, puttable instruments, convertible notes that are classified as debt and the options written portfolio.

A provision has to be made for any taxes that could arise on disposal of securities in the investment portfolio, even though there is no intention to dispose of them. Where the Company disposes of such securities, tax is calculated according to the particular parcels allocated to the sale for tax purposes offset against any capital losses carried forward.

d) Cash flows

For the purpose of the cash flow statement, 'cash' includes cash, deposits held at call, investment grade promissory notes and discounted bills of exchange.

e) Fair value of financial assets and liabilities

The fair value of cash and cash equivalents, and non-interest bearing monetary financial assets and liabilities of the Company approximates their carrying value.

f) Directors' retirement allowances

The Company recognises as 'amounts payable' Directors' retirement allowances that have been crystallised. No further amounts will be expensed as retirement allowances.

g) Rounding of amounts

The Company is of the kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order, to the nearest thousand dollars, or in certain cases, to the nearest dollar.

h) Split between Revenue and Capital in Other Comprehensive Income

'Capital' relates to realised or unrealised gains or losses (and the tax thereon) on securities within the Investment Portfolio and excludes income in the form of distributions and dividends which are recorded as 'Revenue'. All other items, including expenses, are recorded as Net Operating Result, which is categorised under 'Revenue'.

i) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board, through its sub-committees, has been identified as the chief operating decision-maker, as it is responsible for allocating resources and assessing performance of the operating segments.

2. Critical Accounting Estimates and Judgements

The preparation of financial reports in conformity with AIFRS requires the use of certain critical accounting estimates. This requires the Board and management to exercise their judgement in the process of applying the Company's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance with AASB112 Income Taxes deferred tax liabilities have been recognised for Capital Gains Tax (CGT) on the unrealised gain in the Investment Portfolio at current tax rates.

As the Directors do not intend to dispose of the portfolio, this tax liability may not be crystallised at the amount disclosed in Note 13. In addition, the tax liability that arises on disposal of these securities may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains at the time of disposal.

Apart from this, there are no key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period.

3. Financial Reporting by segments

(a) Description of segments

The Board makes the strategic resource allocations for the Company. The Company has therefore determined the operating segments based on the reports reviewed by the Board, which are used to make strategic decisions.

The Board is responsible for the Company's entire portfolio of investments and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and the Company's performance is evaluated on an overall basis.

The Company invests in equity securities and other instruments to provide shareholders with attractive investment returns through access to a steady stream of fully franked dividends and enhancement of capital invested.

(b) Segment information provided to the Board

The internal reporting provided to the Board for the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of Australian Accounting Standards, except that net assets are reviewed both before and after the effects of capital gains tax on investments (as reported in the Company's Net Tangible Asset announcements to the ASX).

The Board considers the Company's operating result after tax to be a key measure of the Company's performance. This amount excludes the impact of unrealised gains/losses on options and any gains or losses on the Company's investment portfolio and reconciles to the Company's profit before tax as follows :

	2013	2012
	\$'000	\$'000
Operating result after income tax expense	8,293	8,358
Add back income tax expense	98	268
Net gains/losses on puttable instruments and non-equity investments	2,819	6,419
Net gains/(losses) on open options positions	-	(88)
Profit for the year before tax	11,210	14,957

In addition, the Investment Committee regularly reviews the net asset backing per share, as calculated in accordance with ASX listing rules, both before and after provision for deferred tax on the unrealised gains in the Company's long-term investment portfolio. Deferred tax is calculated as set out in notes 1(c) and 2. The relevant amounts as at 30 June 2013 and 30 June 2012 were as follows:

	30 June 2013	30 June 2012
Net tangible asset backing per share	\$	\$
Before Tax	2.11	1.87
After Tax	1.92	1.72

(c) Other segment information

(i) Segment Revenue

Revenues from external parties are derived from the receipt of dividend, distribution and interest income, and income arising on the trading portfolio and realised income from the options portfolio.

The Company is domiciled in Australia and all of the Company's income is derived from Australian entities or entities that have a listing on the Australian Securities Exchange. The Company has a diversified portfolio of investments, with no investment comprising more than 10% of the Company's income, including realised income from the options written portfolio.

4. Operating result before income tax expense

	2013	2012
	\$'000	\$'000
Dividends and distributions		
• securities held in investment portfolio at 30 June	6,981	8,650
• investment securities sold during the year	2,065	1,030
• securities held in trading portfolio at 30 June	4	4
• trading securities sold during the year	-	103
	<u>9,050</u>	<u>9,787</u>
Interest income		
• income from cash investments	873	842
	<u>873</u>	<u>842</u>
Net gains/(losses) and write downs		
• net realised gains/(losses) from trading portfolio	269	(104)
• realised gains on options written portfolio	36	98
• unrealised gains/(losses) from trading portfolio	135	(7)
	<u>440</u>	<u>(13)</u>
Other income	12	16
	<u>12</u>	<u>16</u>
Income from operating activities	10,375	10,632
Finance costs	-	-
Administration fees paid to AICS	(1,294)	(1,285)
Other administration expenses	(690)	(721)
Operating result before income tax expense	8,391	8,626

Further information relating to remuneration of auditors is set out in Note 24, Directors and Executives in Note 22.

5. Tax expense

(a) Reconciliation of income tax expense to prima facie tax payable

	2013 \$'000	2012 \$'000
Operating result before income tax expense	8,391	8,626
Tax at the Australian tax rate of 30% (2012 – 30%)	2,517	2,588
Tax offset for franked dividends	(1,862)	(1,963)
Tax effect of sundry items not taxable in calculating taxable income	(71)	(35)
	<u>584</u>	<u>590</u>
Under (over) provision in prior years	(486)	(322)
Income tax expense on operating profit before net gains on investments	98	268
Net gains/(losses) on investments	2,819	6,331
Tax at the Australian tax rate of 30% (2012 – 30%)	846	1,900
Tax expense/(credit) on net gains/(losses) on investments	<u>846</u>	<u>1,900</u>
Total tax expense/(credit)	<u>944</u>	<u>2,168</u>

(b) Tax expense composition

Charge for tax payable relating to the current year	546	323
Under (over) provision in prior years	(486)	(322)
Increase (decrease) in deferred tax liabilities – investment portfolio	846	1,926
(Increase) decrease in deferred tax assets	38	241
	<u>944</u>	<u>2,168</u>

(c) Amounts recognised directly through Other Comprehensive Income

Net increase/(decrease) in deferred tax liabilities relating to capital gains tax on the movement in gains in the investment portfolio	13,812	(1,441)
	<u>13,812</u>	<u>(1,441)</u>

6. Current assets – cash

	2013 \$'000	2012 \$'000
Cash at bank and in hand	16	14
Fixed Term Deposits	34,175	15,845
	<u>34,191</u>	<u>15,859</u>

Cash holdings yielded an average floating interest rate of 4.2% (2012: 5.4%).

(a) Credit risk exposure

All cash investments not held in a transactional account or an over-night 'at call' account are invested in short-term deposits with Australia's "Big 4" commercial banks or their wholly-owned subsidiaries, all rated 'AA-' by S&P.

7. Current assets – receivables

Dividends and distributions receivable	1,031	1,475
Outstanding settlements – Investment portfolio	1,986	408
Outstanding settlements – Trading portfolio	-	170
Other receivables/pre-payments	111	77
	<u>3,128</u>	<u>2,130</u>

Receivables are non-interest bearing and unsecured. Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within three days of the date of a transaction.

8. Current assets – trading portfolio

Listed securities at market value :

- shares and trust units	<u>943</u>	<u>662</u>
	<u>943</u>	<u>662</u>

(a) Options sold

The Company enters into option contracts in the trading portfolio as part of its trading activities to generate profits on dealing in securities. Where the Company sells a call option it is obligated to deliver securities at an agreed price if the taker exercises the option. Whereas if the Company sells a put option it is obligated to buy the underlying shares at an agreed price if the taker exercises the option. Exchange Traded Options are valued using observable market data which is obtained from an independent third-party data provider.

As at balance date and at the prior year there were no options outstanding held by the Company in its trading portfolio. The total exposure position is determined daily. The Investment Committee meets regularly (normally fortnightly) to consider, review and approve the investment, trading and sub-underwriting transactions of the Company and related matters.

9. Non-current assets – investment portfolio

	2013 \$'000	2012 \$'000
Equity instruments		
- securities at market value	260,368	215,424
- unlisted securities at fair value	-	3,000
Puttable instruments and convertible notes that are classified as debt	1,450	19,810
	<u>261,818</u>	<u>238,234</u>

For a detailed list of the fair value of the securities in the investment portfolio measured at fair value through Other Comprehensive Income, see Note 27.

10. Deferred tax assets & liabilities

(a) The difference in the value of the trading portfolio for tax and accounting purposes	(61)	(20)
(b) Tax on unrealised (gains)/losses in the options written portfolio	-	-
(c) Provisions and expenses charged to the accounting profit which are not yet tax deductible	80	78
(d) Interest and dividend income receivable which is not assessable for tax until receipt	(192)	(194)
(e) CGT losses	-	1
	<u>(173)</u>	<u>(135)</u>

Movements:

Opening asset balance at 1 July	(135)	105
Credited/(charged) to Income statement	(38)	(241)
Credited/(charged) to OCI	-	1
	<u>(173)</u>	<u>(135)</u>

Any deferred tax asset arising from provisions and expenses charged but not yet tax deductible will be obtained when the relevant items become tax deductible, provided that the Company derives sufficient assessable income to enable the benefit from the deductions to be taken in that year and there are no intervening changes in tax legislation adversely affecting the Company's ability to claim the tax deduction.

The portion of deferred tax liability likely to be reversed within the next 12 months is \$253,000 (2012: \$213,000). This relates primarily to items described in items (a), (b), (d) & (e) above.

11. Current liabilities – payables

Outstanding settlements – Investment portfolio	163	782
Directors' retirement benefits	261	261
Other payables	18	39
	<u>442</u>	<u>1,082</u>

Payables are non-interest bearing and unsecured. Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within three days of the date of a transaction.

	2013	2012
	\$'000	\$'000
Movements in Directors' retirement benefits		
Opening (asset)/liability balance at 1 July	261	261
Paid	-	-
	<u>261</u>	<u>261</u>

12. Options written portfolio

The Company enters into option contracts in the options written portfolio for the purpose of enhancing returns via the premiums that it earns from the writing of these contracts. It is separate from both the trading portfolio and the investment portfolio, and the options are held as "liabilities measured at fair value through profit or loss". Where the Company sells a call option it is obligated to deliver securities at an agreed price if the taker exercises the option. Whereas if the Company sells a put option it is obligated to buy the underlying shares at an agreed price if the taker exercises the option. Exchange Traded Options are valued using observable market data which is obtained via an independent third-party data provider.

As at balance date there were no call options outstanding (2012: Nil). The total income for the year of \$36,000 (2012 : \$98,000) plus the unrealised losses on the open options position of \$nil (2012 : \$88,000 brought-forward losses), both before tax, resulted in a net pre-tax 'profit' of \$36,000 (2012 : \$10,000).

The total option exposure position is determined daily. The Investment Committee meets regularly (normally fortnightly) to consider, review and approve the investment and trading transactions of the Company and related matters. \$3.3 million of shares are lodged with ASX Clear Pty Ltd as collateral for sold option positions written by the Company (2012: \$2.8 million). These shares are lodged with ASX Clear under the terms of ASX Clear Pty Ltd which require participants in the Exchange Traded Option market to lodge collateral, and are recorded as part of the Company's investment portfolio.

13. Deferred tax liabilities – investment portfolio

	2013 \$'000	2012 \$'000
Deferred tax liabilities on unrealised gains in the investment portfolio	26,041	19,958

Refer Note 2 for further detail on the nature of the deferred tax liabilities on the investment portfolio.

Opening balance at 1 July	19,958	19,472
(Credited)/charged to income statement for puttable instruments	846	1,926
Tax on realised gains/losses (Credited)/charged to OCI for ordinary securities on gains or losses for the period	(8,575)	1
	<u>13,812</u>	<u>(1,441)</u>
	<u>26,041</u>	<u>19,958</u>

14. Shareholders' equity – share capital

Movements in share capital of the Company during the past two years were as follows:

Date	Details	Notes	Number of shares '000	Issue price \$	Paid-up Capital \$'000
Various	Balance		135,540		149,737
5/8/2011	Dividend Reinvestment Plan	i	718	1.83	1,313
10/2/2012	Dividend Reinvestment Plan	i	571	1.74	994
Various	Costs of issue		-		(11)
30/6/2012	Balance		136,829		152,033
3/8/2012	Dividend Reinvestment Plan	i	674	1.85	1,246
12/2/2013	Dividend Reinvestment Plan	i	362	2.14	775
Various	Costs of issue		-		(9)
30/6/2013	Balance		<u>137,865</u>		<u>154,045</u>

- i. The Company has a Dividend Reinvestment Plan (DRP) under which shareholders elect to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares is based on the average selling price of shares traded on the Australian Securities Exchange in the five days after the shares begin trading on an ex-dividend basis.

15. Capital Management

The Company's objectives in managing capital is to continue to provide shareholders with attractive investment returns through access to a steady stream of fully-franked dividends and enhancement of capital invested, with goals of paying dividends which over time grow faster than the rate of inflation and providing attractive total returns over the medium to long term.

The Company recognises that its capital will fluctuate in accordance with market conditions, and may adjust the amount of dividends paid, issue new shares from time to time or buy-back its own shares or sell assets to reduce any debt.

The Company's capital consists of its shareholders equity plus any net borrowings. The change in this capital is as noted in notes 14, 16, 17 and 18.

16. Revaluation Reserve

	2013	2012
	\$'000	\$'000
Opening balance at 1 July	35,723	33,847
Gains/(losses) on investment portfolio		
- Equity Instruments	44,361	(5,963)
- Puttable instruments (transferred from retained profits)	2,819	6,419
Transfer of taxation charge previously accounted for on scrip-for-scrip takeovers	-	(511)
Deferred tax asset on realised capital losses	-	(1)
Provision for tax on unrealised gains	(14,658)	(485)
Cumulative taxable realised (gains)/losses (net of tax)	<u>(18,083)</u>	<u>2,417</u>
	<u>50,162</u>	<u>35,723</u>

This reserve is used to record increments and decrements on the revaluation of the investment portfolio as described in accounting policy note 1 b)(ii).

17. Realised Capital Gains Reserve

	2013	2012
	\$'000	\$'000
Opening balance at 1 July	34,150	40,904
Dividends paid	(5,473)	(4,337)
Cumulative taxable realised gains/(losses) for period through OCI (net of tax)	<u>18,083</u>	<u>(2,417)</u>
	<u>46,760</u>	<u>34,150</u>

This reserve records gains or losses after applicable taxation arising from disposal of securities in the investment portfolio as described in accounting policy note 1 b)(ii).

18. Retained Profits

	2013	2012
	\$'000	\$'000
Opening balance at 1 July	13,566	14,001
Dividends paid	(8,234)	(9,242)
Profit for the year	10,266	12,789
Transfer to revaluation reserve (puttable instruments & non-equity investments) (net of tax)	(1,973)	(4,493)
Transfer from revaluation reserve re. charge for previous scrip-for-scrip takeovers	-	511
	<u>13,625</u>	<u>13,566</u>

This reserve relates to past profits.

19. Financial Instruments

(a) Financial Risk Management

Accounting Standards identify three types of risk associated with financial instruments (i.e. the Company's investments, receivables, payables and borrowings):

Credit risk

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

Credit risk is managed as set out below with respect to cash, receivables, securities in the trading portfolio and securities in the investment portfolio respectively. None of these assets are over-due.

Cash & Cash Equivalents

All cash investments not held in a transactional account are invested in short-term deposits with Australia's "Big 4" commercial banks or their wholly-owned subsidiaries. The credit risk exposure of the Company in relation to cash and deposits is the carrying amount and any accrued unpaid interest.

Receivables

Receivables are non-interest bearing and unsecured. Outstanding settlements are on the terms operating in the securities industry, which usually require settlement within three days of the date of a transaction.

The credit risk exposure of the Company in relation to receivables is the carrying amount.

Trading & Investment Portfolios

Credit risk exposures of the Company arise in relation to converting and convertible notes and other interest-bearing securities that are not equity securities to the extent of their carrying values, in the event of a shortfall on winding-up of the issuing companies.

Credit risk exposure also arises in relation to options bought by the Company, if any, to the extent of their carrying value.

Liquidity risk

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

The Company monitors its cash-flow requirements daily. Furthermore, the Investment Committee monitors the level of contingent payments on a (normally) fortnightly basis by reference to known sales and purchases of securities, dividends and distributions to be paid or received, put options that may require the Company to purchase securities and facilities that need to be repaid. The Company ensures that it has either cash or access to short-term borrowing facilities sufficient to meet these contingent payments.

The relatively low level of gearing that the Company has ensures that covenant levels associated with previous facilities were very unlikely to be breached. In the unlikely event that a fall in the value of the stock market is such that a breach would have appeared possible, the Company would have amended its cash-flows through the sale of securities and the cessation of purchases to ensure that any short-term debt is extinguished.

The Company's inward cash-flows depend upon the level of distributions received. Should these drop by a material amount, the Company would amend its outward cash-flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is manageable by the Board and management. Furthermore, the assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary. The current financial liabilities are shown in Note 11. The table below analyses the Company's financial liabilities into relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

30 June 2013	Less than 6 months	6-12 months	Greater than 1 year	Total contractual cash flows	Carrying Amount (assets) / liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives					
Payables	442	-	-	442	442
Derivatives					
Options written *	-	-	-	-	-
	<hr/> 442	<hr/> -	<hr/> -	<hr/> -	<hr/> 442
30 June 2012					
Non-derivatives					
Payables	1,082	-	-	1,082	1,082
Derivatives					
Options written *	-	-	-	-	-
	<hr/> 1,082	<hr/> -	<hr/> -	<hr/> 1,082	<hr/> 1,082

* In the case of call options written there are no contractual cash flows, as if the option is exercised the contract will be settled in the securities over which the option is written. The contractual cash flows for put options written are the cash sums the Company will pay to acquire securities over which the options have been written, and it is assumed for purpose of the above disclosure that all options will be exercised (i.e. maximum cash outflow).

Market risk

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

By its nature as a Listed Investment Company that invests in tradeable securities, the Company can never be free of market risk as it invests its capital in securities which are not risk free – the market price of these securities will fluctuate.

A general fall in market prices of 5% and 10%, if spread equally over all assets in the investment portfolio would lead to a reduction in the Company's comprehensive income of \$9.1 million and \$18.2 million respectively, at a tax rate of 30% (2012 : \$7.6 million & \$15.3 million), and a reduction in profit after tax of \$51,000 and \$102,000 respectively, at a tax rate of 30% (2012: \$0.7 million and \$1.4 million). A fall of 5% and 10% in the Trading Portfolio would lead to a reduction in profit after-tax of \$33,000 and \$66,000 respectively (2012 : \$23,000 and \$46,000). The Revaluation Reserve at 30 June 2013 was \$50.2 million (2012 : \$35.7 million). It would require a fall in the value of the Investment Portfolio of 27% after tax to fully deplete this (2012 : 21%).

The Company seeks to reduce market 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 and the relevant market sectors are reviewed by the Investment Committee, normally fortnightly, and risk can be managed by reducing exposure where necessary. The Company does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

The Company's investment by sector is as below:

	2013	2012
Energy	8.34%	7.55%
Materials	16.22%	11.32%
Industrials	16.95%	23.43%
Consumer Discretionary	13.27%	15.31%
Consumer Staples	8.21%	5.47%
Healthcare	6.69%	6.46%
Financials	9.73%	8.90%
Real Estate	3.14%	1.44%
Info Technology	5.55%	5.17%
Utilities	0.38%	8.72%
Cash	11.52%	6.23%

There was 1 security representing over 5% of the combined investment and trading portfolio at 30 June 2013: Tox Free Solutions 5.3% (2012 : 3 – Hastings Diversified Utilities Fund 8.0%, Campbell Brothers/ALS 6.2% and Australian Infrastructure Fund 5.3%).

The Company is not currently materially exposed to interest rate risk as all its cash investments are short-term for a fixed interest rate. The Company is also not directly exposed to currency risk as all its investments are quoted in Australian dollars.

The writing of call options provides some protection against a fall in market prices as it generates income to partially compensate for a fall in capital values. Options are only written against securities that are held in the trading or investment portfolio.

Under Accounting Standards, movements in the market value of the trading portfolio are reflected directly through the Income Statement. However, the trading portfolio is only a minor proportion of the Company's investments. As at 30 June 2013, it was 0.32% of the total invested including cash (2012: 0.26%). This reduces the risk to the Company's earnings of a short-term fall in the value of securities held in the trading portfolio.

(b) Fair Value measurements

The Company has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

30 June 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through other comprehensive income				
Investment Portfolio (Equity)	260,368	-	-	260,368
Financial assets at fair value through profit or loss				
Trading Portfolio	943	-	-	943
Investment Portfolio (Puttables & Convertible Notes classified as debt)	1,450	-	-	1,450
Financial liabilities at fair value through profit or loss				
Options written	-	-	-	-
Total	262,761		-	262,761

30 June 2012	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through other comprehensive income				
Investment Portfolio (Equity)	215,424	3,000	-	218,424
Financial assets at fair value through profit or loss				
Trading Portfolio	662	-	-	662
Investment Portfolio (Puttables)	19,810	-	-	19,810
Financial liabilities at fair value through profit or loss				
Options written	-	-	-	-
Total	235,896	3,000	-	238,896

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (e.g. over the counter derivatives or unlisted securities) is determined using valuation techniques. The Company uses a variety of valuation methods and makes assumptions that are based on market conditions existing at the end of each reporting period. These instruments are included in level 2 and at the year-end comprised the Company's investment in Unilife Corporation options, currently unlisted and valued at nil. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3 (currently none).

(c) Numerical disclosures – Investment Portfolio

The fair value of each investment held at fair value through other comprehensive income (investment portfolio) is disclosed in note 27.

Dividend income for the period on those investments designated at 'fair value through other comprehensive income' held at period end was \$7.0 million (2012 : \$7.8 million), and dividend income for those investments designated at 'fair value through other comprehensive income' sold during the period was \$1.9 million (2012 : \$1.0 million).

Certain securities within the investment portfolio were disposed of during the period, whether during the normal course of the Company's activities as a Listed Investment Company or as the result of take-overs or acquisitions. The fair value of the investments sold during this period was \$62.4 million (2012 : \$45.3 million). \$22.0 million of puttable instruments have also been sold in the period.

The cumulative gain on these disposals was \$18.1 million for the period after tax, which includes \$7.6 million of cumulative gain on puttable instruments (2012: \$2.4 million loss). This has been transferred from the revaluation reserve to the realisation reserve (refer to statement of changes in equity).

The Company has two classes of investments in the investment portfolio – i) assets defined under AASB 9 as 'equity investments', the fair value of which is valued through other comprehensive

income and at 30 June 2013 was \$260.4 million (30 June 2012 \$218.4 million) and ii) puttable instruments or convertible notes that cannot be classified as equity instruments under AASB 9 and are consequently accounted for at fair value through profit or loss. The fair value of these at 30 June 2013 was \$1.45 million (30 June 2012 : \$19.8 million).

20. Dividends

	2013 \$'000	2012 \$'000
(a) Dividends paid during the year		
Final dividend for the year ended 30 June 2012 of 6.5 cents fully franked at 30% paid 3 August 2012 (2012: 6.5 cents fully franked at 30% paid on 5 August 2011).	8,894	8,810
Interim dividend for the year ended 30 June 2013 of 3.5 cents per share fully franked at 30%, paid 12 February 2013 (2012: 3.5 cents fully franked at 30% paid 10 February 2012)	4,813	4,769
	<u>13,707</u>	<u>13,579</u>
b) Franking credits		
Balance on the franking account after allowing for tax payable in respect of the current year's profits and the receipt of dividends recognised as receivables	21,993	16,409
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:	(6,794)	(3,812)
Net available	15,199	12,597
These franking account balances would allow the Company to frank additional dividend payments up to an amount of:	35,464	29,393
The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from the trading and investment portfolios and the Company paying tax.		
(c) Dividends declared after balance date		
Since the end of the year Directors have declared a final dividend of 6.5 cents per share fully franked at 30%, plus a 5 cent special dividend. The aggregate amount of the final dividend for the year to 30 June 2013 to be paid on 9 August 2013, but not recognised as a liability at the end of the financial year	<u>15,854</u>	

(d) Listed Investment Company capital gain account	2013 \$'000	2012 \$'000
Balance of the Listed Investment Company (LIC) capital gain account	47,992	36,202
This would equate to an attributable amount of	68,560	51,718

Distributed LIC capital gains may entitle certain shareholders to a special deduction in their taxation return, as set out in the dividend statement. LIC capital gains available for distribution are dependent upon the disposal of investment portfolio holdings which qualify for LIC capital gains or the receipt of LIC distributions from LIC securities held in the portfolios. \$12.4 million of the capital gain (\$17.7 million of the attributable amount) will be paid out as part of the final and special dividend on 9 August 2013.

21. Earnings per share

Basic Earnings per Share	2013 Number	2012 Number
Weighted average number of ordinary shares used as the denominator	137,577,015	136,407,776
	\$'000	\$'000
Profit for the year	10,266	12,789
	Cents	Cents
Basic earnings per share	7.46	9.38
	\$'000	\$'000
Basic net operating result per Share		
Net operating result	8,293	8,358
	Cents	Cents
Basic net operating result per share	6.03	6.13

Dilution

As there are no options, convertible notes or other dilutive instruments on issue, diluted earnings per share is the same as basic earnings per share. This similarly applies to diluted net operating profit before net gains on investment and options written portfolios per share.

22. Directors and Executives

The Remuneration for the Directors was as follows :

	Short Term Benefits \$	Post- Employment Benefits \$	Total \$
2013 Directors	308,899	16,101	325,000
2012 Directors	335,778	30,222	366,000

Shareholdings

At balance date, shares issued by the Company and held directly, indirectly or beneficially by non-executive directors and executives of the Company, or by entities to which they were related were:

2013	Opening balance	Net changes	Closing balance
TA Campbell	2,385,741	39,019	2,424,760
RE Barker	413,544	11,551	425,095
IA Campbell	53,591	1,883	55,474
DE Meiklejohn	123,660	-	123,660
GW Sinclair	23,660	8,000	31,660
RM Freeman	152,253	7,927	160,180
GN Driver	24,650	1,388	26,038
SM Pordage	-	986	986
AJB Porter	-	1,807	1,807
2012			
TA Campbell	2,385,741	-	2,385,741
RE Barker	400,063	13,481	413,544
IA Campbell	50,733	2,858	53,591
DE Meiklejohn	123,660	-	123,660
GW Sinclair	23,660	-	23,660
RM Freeman	144,131	8,122	152,253
GN Driver	19,650	5,000	24,650

23. Related parties

All transactions with deemed related parties were made on normal commercial terms and conditions and approved by independent Directors.

The day-to-day management of the Company's investments and its operation, including financial reporting and administration, have been delegated to Australian Investment Company Services Limited ("AICS"). Details of the amounts paid to AICS are disclosed in Note 4.

24. Remuneration of auditors

	2013 \$	2012 \$
During the year the auditor earned the following remuneration:		
PricewaterhouseCoopers		
Audit or review of financial reports	81,180	79,200
<u>Non-Audit Services</u>		
Taxation compliance services	45,485	34,210
Total remuneration	<u>126,665</u>	<u>113,410</u>

The Company's Audit Committee oversees the relationship with the Company's External Auditors. The Audit Committee reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other audit related tax compliance services provided by the audit firm to ensure they do not compromise independence. Other non-audit services would not normally be provided by the external audit firm. However, if for special reasons such services were to be proposed, the Audit Committee would review the proposal to also ensure they did not affect the independence of the external audit function. The auditor also conforms to legal requirements regarding audit partner rotation every 5 years.

25. Reconciliation of net cash flows from operating activities to profit

	2013 \$'000	2012 \$'000
Profit for the year	10,266	12,789
- Change in fair value of puttable instruments	(1,973)	(4,493)
- Net decrease (increase) in trading portfolio	(281)	2,258
- Increase (decrease) in options written portfolio	-	(3)
- Dividends received as securities under DRP investments	(1,189)	(691)
- Decrease (increase) in current receivables	(998)	(1,028)
- Less increase (decrease) in receivables for investment portfolio	1,578	375
- Increase (decrease) in deferred tax liabilities	6,121	726
- Less (increase) decrease in deferred tax liability on investment portfolio	(6,083)	(486)
- Increase (decrease) in current payables	(640)	660
- Less decrease (increase) in payables for investment portfolio	619	(782)
- Increase (decrease) in provision for tax payable	8,594	(850)
- Less CGT provision	(8,576)	-
- Add taxes paid on capital gains	20	604
Net cash flows from operating activities	<u>7,458</u>	<u>9,079</u>

26. Contingencies

As at 30 June 2013, the Company was a sub-underwriter for a Share Placement Plan undertaken by Lion Selection Group Limited. Under the terms of this agreement, Mirrabooka has agreed to purchase up to \$500,000 of shares at a set value in Lion Selection Group Limited should the number of shares raised under the Share Purchase Plan not reach a specified level.

Directors are not aware of any other material contingent liabilities or contingent assets other than those already disclosed elsewhere in the financial report.

27. Securities at Fair Value through other Comprehensive Income at 30 June 2013

The below list is of those securities held in the investment portfolio that are valued at fair value through Other Comprehensive Income. They do not include securities in the trading portfolio, puttable instruments or convertible notes classified as debt in the investment portfolio (which are held at 'fair value through profit or loss') or the options written portfolio.

Individual holdings in the portfolio may change during the course of the year. In addition, holdings may be subject to call options or sale commitments by which they may be sold at a price significantly different from the market price prevailing at the time of the exercise or sale.

	2013	2012
	\$'000	\$'000
Acer Energy	-	300
Alumina	5,242	3,691
Amalgamated Holdings	4,011	2,902
Ansell	8,551	7,524
ARB Corporation	4,516	3,605
ASG Group	-	2,778
Atlas Iron	-	909
Austal Limited	1,133	-
Australian Infrastructure Fund	-	12,634
Austbrokers	12,715	7,779
AWE Limited	1,612	-
Bega Cheese	4,608	-
BigAir Group	4,200	2,222
Blackmores	1,360	494
Blue Energy	379	-
Bluescope Steel	3,503	-
Boral	2,316	1,946
Bradken	3,232	5,333
Breville Group	-	1,204
Brickworks	3,327	-
Buru Energy	1,464	1,884
ALS (was Campbell Bros.)	12,933	14,785
Carindale Property Trust	1,397	1,160

	2013	2012
	\$'000	\$'000
Coca-Cola Amatil	7,488	7,883
Colorpak	1,692	1,332
Comet Ridge	658	-
Cooper Energy	938	1,112
Cromwell Property	4,583	1,918
Domino's Pizza	1,417	1,275
Engenco	-	1,479
Equity Trustees	5,895	4,235
ERM Power	-	1,600
Fleetwood Corporation	-	8,459
Fletcher Building	4,712	2,898
Freedom Foods	3,229	-
G8 Education	-	2,266
Horizon Oil	1,787	-
iCar Asia	1,238	-
Iluka Resources	4,495	3,396
Incitec Pivot	1,729	1,723
IProperty	1,873	1,453
Ingenia Communities	2,693	-
Invocare	10,527	7,856
Iress Market Technology	9,375	8,188
iSelect	2,721	3,000
James Hardie Industries	10,611	8,995
JB Hi-Fi	2,017	-
K&S Corporation	-	-
Lion Selection	1,172	-
Little World Beverages	-	1,551
Lycopodium	-	2,168
Medusa Mining	618	-
Mermaid Marine	3,520	4,727
New Hope Corporation	1,428	-
Nufarm	4,194	3,131
Oil Search	10,907	9,236
Pacific Energy	1,125	1,378
Perpetual	5,205	3,367
Premier Investments	-	1,036
Quickflix	-	281
Qube Logistics	3,195	1,511
Ramsay Healthcare	6,804	6,105
REA Group	7,516	5,389

	2013	2012
	\$'000	\$'000
Reece Australia	2,906	819
Resmed	3,000	1,842
Resource Equipment	-	1,243
Rum Jungle	426	-
Seek	3,129	-
Senex Energy	5,015	6,035
Tap Oil	1,410	-
Tassal Group	7,485	2,912
Toll Holdings	5,586	1,592
Tox Free Solutions	13,800	11,621
Transfield	693	-
Transurban Group	3,113	2,620
Treasury Wine	757	565
Trust Company	2,608	2,279
Unilife Corporation	-	488
Vocus Communications	2,895	-
Warrnambool Cheese & Butter	802	-
Wide Bay Australia	1,313	2,000
Wellcom Group	3,569	4,310
Total	260,368	218,424