



MIRRABOOKA

Investments Limited

A.B.N 31 085 290 928

**APPENDIX 4E STATEMENT
FOR THE YEAR ENDING 30 JUNE 2007**

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PRELIMINARY RESULTS FOR ANNOUNCEMENT TO THE MARKET

The reporting period is the year ended 30 June 2007 with the corresponding period being the year ended 30 June 2006.

These preliminary results are based on unaudited financial statements.

Results for announcement to the market

- Operating profit after tax was \$9.9 million, 36.4% up from the previous corresponding period.
- Net operating profit per share was 8.52 cents, up 35.9% from 6.27 cents the previous corresponding period.
- Net profit (including realised capital gains on investments) was \$24.5 million, 20.1% up from the previous corresponding period.
- Revenue from operating activities (excluding realised capital gains on investments) was \$11.1 million, 22.4% up from the previous corresponding period.
- The interim dividend for the 2007 financial year was 3.5 cents per share, fully franked, and it was paid to shareholders on 2 March 2007.
- The final dividend of 6.5 cents per share fully franked, up from last year's final dividend of 4 cents, will be paid on 2 August 2007 to ordinary shareholders on the register on 20 July 2007. Shares are expected to trade ex-dividend from 16 July 2007.
- The final dividend includes an attributable 3 cents of Listed Investment Company (LIC) gain. This gain enables some shareholders to claim a tax deduction in their tax return. Further details will be on the dividend statements.
- The Company operates a Dividend Reinvestment Plan 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 is based on a 2.5% 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 20 July 2007.
- 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 2007 was \$2.69, up from \$1.94 at the end of the previous corresponding period.

MEDIA RELEASE – FULL YEAR RESULT

10 July 2007

PORTFOLIO DELIVERS 44% RETURN

Mirrabooka Investments Limited today announced its financial results for the full year to 30 June 2007. The results are unaudited.

KEY POINTS

- **The total portfolio** at 30 June 2007 was \$317.8 million, including cash of \$5.3 million.
- **Total portfolio return** during the twelve months to 30 June 2007 (change in net asset backing per share plus dividends) was an increase of 43.6%. The return before tax but after expenses was 46.6%.
- **Total shareholder return** measured by change in share price plus dividends over the twelve months to 30 June 2007 was 32.6%.
- **Net Operating Profit after tax** which excludes realised gains on the investment portfolio was \$9.9 million (last year \$7.3 million), up 36.4%.
- **Profit after tax** including realised gains was \$24.5 million (last year \$20.4 million).
- **Earnings per share** based on Net Operating Profit were 8.5 cents, an increase of 35.9% over 6.3 cents last year.
- **A fully franked final dividend** of 6.5 cents per share will be paid on 2 August 2007. This brings total dividends for the year to 10 cents per share versus 7 cents last year.
- **A Listed Investment Company capital** gain of 3.0 cents per share is included with the final dividend.
- **The Company's dividend reinvestment plan** is in operation for this dividend with a discount of 2.5% to the ex dividend market price, as defined by the Plan.
- **Management expense ratio** on an annualised basis was 0.91%.

Chairman's Comments

The Chairman, Mr Terry Campbell commented, "The small and mid cap sectors continued their extraordinary run with the combined S&P/ASX Mid 50's and Small Ordinaries Accumulation Index rising 38.9% in the twelve months to 30 June 2007. This is now the 4th year in a row that this sector of the market has produced outstanding returns.

The Mirrabooka portfolio return (measured by the change in net asset backing plus dividends reinvested) was 43.6% even though we continued our policy of limiting exposure to the more speculative parts of the market.

There has been a steady level of takeover and private equity activity during the period. This trend, along with our desire to maintain an appropriate balance in the portfolio given the strong upward movement in share prices and valuation metrics over the past twelve months, has meant a steady stream of realised gains from the investment portfolio.

The major sales of holdings which have been subject to takeover activity were Baxter Group, DCA Group, Vision Systems (convertible notes), GroPep and Excel Coal. Other major sales from the portfolio were Centennial Coal, Macquarie Airports, Transurban Group and Colorpak Limited. In total, realised gains produced \$19.4 million before tax.

The larger investments new to the portfolio during the financial year were:

- Asciano Group (as a result of its spin off from Toll Holdings), a transport infrastructure business.
- Energy Developments, a provider of renewable energy.
- Fletcher Building, operates in building products, concrete, steel, construction, property and housing and distribution.
- Boart Longyear (as a result of participating in this IPO), an integrated drilling services provider and products manufacturer for the mineral industry.
- Macquarie Leisure Group, property development and investment group, with investments in leisure and entertainment assets in Australia.
- PaperlinX, manufacturer and distributor of communication and high performance packaging papers.
- Automotive Holdings, automotive retail and logistics group.
- Queensland Gas, focused on becoming an integrated energy supplier in Australia based on coal seam gas resources.
- InvoCare, private provider of services related to funerals, burials and cremations.
- Transpacific Industries (as a result of the takeover of Baxter group), provides integrated industrial cleaning and waste management solutions

We also added to our existing holdings in the Australian Infrastructure Fund, Dyno Nobel, Fleetwood Corporation and Regional Express during the period.

Outlook

We expect positive conditions to persist, although we are certainly not expecting a repeat of the extraordinary returns provided by the small and mid cap sectors in recent times."

Please direct any enquiries to:

Ross Barker
Managing Director
(03) 9924 0380

TOP INVESTMENTS AS AT 30 JUNE 2007

Includes investments held in both the Investment and Trading Portfolios

Valued at closing prices at 29 June 2007

		Total Value \$ million
1	Incitec Pivot	14.0
2	Nufarm	11.8
3	* Transurban Group	8.1
4	McMillan Shakespeare	8.0
5	* Computershare	7.8
6	ASG Group	7.5
7	ConnectEast Group	7.5
8	Healthscope	7.5
9	Programmed Maintenance Services	7.1
10	APN News & Media	7.0
11	Origin Energy	6.8
12	Tassal Group	6.8
13	Campbell Brothers	6.4
14	Peet	6.3
15	Cabcharge Australia	6.2
16	BOOM Logistics	6.1
17	Bradken	6.0
18	Australian Infrastructure Fund	5.9
19	Toll Holdings	5.8
20	Asciano Group	5.6
		<hr/> 148.2 <hr/>
	As % of Total Portfolio (excludes Cash and Bank Bills)	47.4%

* Indicates that options were outstanding against part or all of the holding

FINANCIAL STATEMENTS

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$'000	2006 \$'000
Dividends and distributions		10,180	8,025
Revenue from deposits and bank bills		883	1,035
Other revenue		48	20
Total revenue		11,111	9,080
Income from options written		130	153
Net gains on trading portfolio		2,260	849
Income from operating activities before net gains on investments		13,501	10,082
Finance costs		(20)	(20)
Administration expenses		(2,441)	(1,928)
Operating profit before income tax expense and net gains on investments	4	11,040	8,134
Income tax expense*	5	(1,113)	(857)
Net operating profit before net gains on investments		9,927	7,277
Net gains on investments			
Net gains on Ordinary Securities sold from the investment portfolio		21,191	19,199
Net losses on Other Securities		(1,770)	(211)
Net losses on open options positions		(59)	(29)
Tax expense on above*	5	(4,783)	(5,834)
		14,579	13,125
Profit for the year		24,506	20,402
		Cents	Cents
Basic earnings per share		21.03	17.58
Diluted earnings per share		21.03	17.58

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

Information on earnings per share, including net operating profit before net gains on investment & options written portfolios per share, can be found in Note 20

	2007 \$000	2006 \$000
* Total tax expense	5,896	6,691

BALANCE SHEET AS AT 30 JUNE 2007

	Note	2007 \$'000	2006 \$'000
Current assets			
Cash	6	5,291	18,218
Receivables	7	5,457	2,292
Trading portfolio	8	2,679	1,135
Total current assets		<u>13,427</u>	<u>21,645</u>
Non-current assets			
Investment portfolio	9	310,082	211,687
Deferred tax assets	10	206	236
Total non-current assets		<u>310,288</u>	<u>211,923</u>
Total assets		<u>323,715</u>	<u>233,568</u>
Current liabilities			
Payables	11	2,818	1,661
Tax payable		6,739	6,799
Options written portfolio	12	228	150
Total current liabilities		<u>9,785</u>	<u>8,610</u>
Non-current liabilities			
Deferred tax liabilities - investment portfolio	13	48,482	26,791
Total non-current liabilities		<u>48,482</u>	<u>26,791</u>
Total liabilities		<u>58,267</u>	<u>35,401</u>
Net Assets		<u>265,448</u>	<u>198,167</u>
Shareholders' equity			
Share Capital	14	117,339	115,838
Revaluation Reserve	15	100,569	50,577
Realised Capital Gains Reserve	16	36,975	23,988
Retained Profits	17	10,565	7,764
Total shareholders' equity		<u>265,448</u>	<u>198,167</u>

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$'000	2006 \$'000
Total equity at the beginning of the year		198,167	177,120
Dividends paid	19	(8,718)	(7,544)
Shares issued under Dividend Reinvestment Plan	14	1,666	-
On-market share buy backs	14	(149)	(7)
Other share capital adjustments	14	(16)	-
Total transactions with share-holders		(7,217)	(7,551)
Revaluation of investment portfolio		72,429	11,882
Provision for tax on unrealised gains		(22,437)	(3,686)
Net unrealised gains recognised directly in equity	15	49,992	8,196
Profit for the year		24,506	20,402
Total recognised income (including unrealised gains) & expense for the year		74,498	28,598
Total equity at the end of the year		265,448	198,167

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$'000	2006 \$'000
		INFLOWS/ (OUTFLOWS)	INFLOWS/ (OUTFLOWS)
Cash flows from operating activities			
Sales from trading portfolio		7,093	6,112
Purchases for trading portfolio		(6,846)	(5,413)
Proceeds from entering into options in options written portfolio		606	227
Payment to settle options in options written portfolio		(456)	(1)
Interest received		1,287	1,525
Dividends and distributions received		8,820	6,475
		10,504	8,925
Other receipts		48	20
Administration expenses		(2,497)	(1,975)
Finance costs paid		(20)	(20)
Income taxes paid		(6,669)	(2,528)
Net cash inflow/(outflow) from operating activities	24	1,366	4,422
Cash flows from investing activities			
Sales from investment portfolio		46,001	41,086
Purchases for investment portfolio		(53,079)	(42,142)
Net cash inflow/(outflow) from investing activities		(7,078)	(1,056)
Cash flows from financing activities			
Payment for shares bought back		(149)	(7)
Share issue transaction costs		(16)	-
Dividends paid		(7,050)	(7,544)
Net cash inflow/(outflow) from financing activities		(7,215)	(7,551)
Net increase/(decrease) in cash held		(12,927)	(4,185)
Cash at the beginning of the year		18,218	22,403
Cash at the end of the year	6	5,291	18,218

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 Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

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 and Cash Equivalents
Share Capital	Contributed Equity

This financial report has been prepared in accordance with AIFRS (Australian Equivalents to International Financial Reporting Standards).

Compliance with AIFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS).

The Company has elected to adopt AASB 7 *Financial Instruments: Disclosures* early when preparing the financial statements. The Company has not yet applied any other 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 2007 ("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 the 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 trading portfolio and the options written 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 trading portfolio comprises securities held for short-term trading purposes.

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

Ordinary securities within the investment portfolio are classified as 'assets available for sale', whereas securities that contain a derivative element (eg Convertible Notes) and the trading portfolio are classified as 'assets measured at fair value through the Income Statement'.

(ii) Valuation of investment portfolio

Securities, including listed and unlisted shares, and notes, are initially brought to account at market value, which is the cost of acquisition including transaction costs, and are revalued to market values continuously. Increments and decrements on Ordinary Securities are taken 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 Income Statement.

Increments and decrements on the value of the securities that contain a derivative element (known as 'Hybrids') are taken directly through the Income Statement.

(iii) Valuation of trading portfolio

Securities, including listed and unlisted shares, notes 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 continuously.

Increments and decrements on the value of securities in the trading portfolio are taken directly through the Income Statement.

(iv) Valuation of options written portfolio

Options written are initially brought to account at the amount received upfront for entering the contract (the premium) and subsequently revalued to current market value. Increments and decrements are taken through the Income Statement.

(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 unless the distributions are capital returns on ordinary shares in which case 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 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. Hybrids, options written and the trading 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 on gains made 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) Bills of exchange

Bills of exchange and investment grade promissory notes, which have been purchased in the market at a discount to face value, are carried at an amount representing amortised cost using the effective interest rate method, and the amortised interest is accounted for as interest received.

f) 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.

The fair value for assets that are actively traded on market is defined by AASB 139 as 'last bid price'.

g) 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.

h) Rounding of amounts

The Company is of the kind referred to in Class Order 98/0100, issued by the Australian Securities and Investment 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.

2. Critical Accounting Estimates and Judgements

The preparation of financial reports in conformity with AIFRS requires the use of certain critical accounting estimates. This report 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

The Company operates as a Listed Investment Company in Australia. It has no reportable business or geographic segments.

4. Operating profit before income tax expense and net gains on investments	2007 \$'000	2006 \$'000
Dividends and distributions		
• securities held in investment portfolio	9,799	7,540
• securities held in trading portfolio	-	20
	<hr/> 9,799	<hr/> 7,560
Interest income		
• securities held in investment portfolio	381	465
• deposits and income from bank bills	883	1,035
	<hr/> 1,264	<hr/> 1,500
Net gains/(losses) and write downs		
• net gains from trading portfolio sales	2,101	855
• realised gains on options written portfolio	130	153
• unrealised losses in trading portfolio	159	(6)
	<hr/> 2,390	<hr/> 1,002
Other income	48	20
Operating income	<hr/> 13,501	<hr/> 10,082
Finance costs	(20)	(20)
Administration Fees paid to Australian Investment Company Services Ltd (AICS) (2006 : AFIC)	(575)	(248)
Other administration expenses	(1,866)	(1,680)
	<hr/> (1,866)	<hr/> (1,680)
Operating profit before income tax expense and net gains on investments	<hr/> 11,040	<hr/> 8,134

Further information relating to remuneration of auditors is set out in Note 23, Directors and Executives in Note 21. The arrangement with AICS for administrative and other services is currently set at 0.275% of the portfolio value (excluding cash). Until 1 April 2007, this was set at 0.1% of net assets (in 2006, this arrangement was with Australian Foundation Investment Company ("AFIC")).

5. Tax expense	2007 \$'000	2006 \$'000
(a) Reconciliation of income tax expense to prima facie tax payable		
Operating profit before income tax expense and net gains on investments	11,040	8,134
Tax at the Australian tax rate of 30% (2006 – 30%)	3,312	2,440
Tax effect of amounts which are not deductible (taxable) in calculating taxable income :		
Tax offset for franked dividends	(2,375)	(1,334)
Sundry items	505	(178)
	<hr/> 1,442	<hr/> 928
Under (over) provision in prior years	(329)	(71)
Income tax expense on operating profit	<hr/> 1,113	<hr/> 857
Net Gains on investments	19,362	18,959
Tax at the Australian tax rate of 30% (2006 – 30%)	5,809	5,688
Tax effect of amounts which are not deductible (taxable) in calculating taxable income :		

	2007	2006
	\$'000	\$'000
Accounting gains rolled-over for taxation purposes	(2,127)	(257)
Under (over) provision in previous years	(8)	-
Impact of parcel selection for capital gains purposes and deferred tax distributions	1,109	403
	<u>4,783</u>	<u>5,834</u>
Total tax expense	<u>5,896</u>	<u>6,691</u>

(b) Tax expense composition

Charge for tax payable relating to the current year	6,949	7,008
Under (over) provision in prior years	(337)	(71)
Increase/(decrease) in deferred tax liabilities – investment portfolio	(746)	(62)
(Increase)/decrease in deferred tax assets	30	(184)
	<u>5,896</u>	<u>6,691</u>

(c) Amounts recognised directly in equity

Increase (decrease) in deferred tax liabilities relating to capital gains tax on the increase in unrealised gains on Ordinary Securities in the investment portfolio	<u>22,437</u>	<u>3,686</u>
	<u>22,437</u>	<u>3,686</u>

6. Current assets – cash

Cash at bank and in hand	8	(4)
Deposits at call	5,283	3,314
Discounted bills of exchange	-	14,908
	<u>5,291</u>	<u>18,218</u>

Deposits at call yield an average floating interest rate of 6.16% (2006: 5.53%). Discounted bills of exchange and investment grade promissory notes yielded an average fixed return of 6.17% (2006: 5.63%) and had a fixed term of up to three months.

(a) Credit risk exposure

The credit risk exposure of the Company in relation to cash and deposits is the carrying amount and any accrued unpaid interest. Purchased bills of exchange were carried on the Balance Sheet at an amount less than the amount realisable at maturity. The credit risk exposure of the Company regarding purchased bills of exchange was the carrying value, which comprised the cost of the bank bills and the income accrued.

Cash investments are made with GSJBWere's Australian \$ Cash Reserves Fund – Institutional Class which is rated AAAM by Standard & Poor and Aaa/MR1+ by Moody's.

(b) Standby arrangements and credit facilities

The Company is party to agreements under which the National Australia Bank have agreed to accept or accept and discount bills of exchange.

	2007	2006
	\$'000	\$'000
National Australia Bank- floating rate bill facility	10,000	10,000
Amount drawn down	-	-
Undrawn facilities	<u>10,000</u>	<u>10,000</u>

The above borrowings are unsecured. Repayment of facilities is done either through the use of cash received from distributions or the sale of securities, or by rolling existing facilities into new ones. Facilities are drawn down for normally no more than 90 days.

7. Current assets – receivables	2007	2006
	\$'000	\$'000
Dividends and distributions receivable	1,413	1,239
Interest receivable/pre-paid	14	38
Outstanding settlements – investment portfolio	3,034	1,006
Outstanding settlements – trading portfolio	996	-
Prepayments	-	9
	<u>5,457</u>	<u>2,292</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.

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

8. Current assets – trading portfolio

Listed securities at market value		
- shares and trust units	<u>2,679</u>	<u>1,135</u>
	<u>2,679</u>	<u>1,135</u>

The above, plus the hybrids in the investment portfolio, are designated as 'assets measured at fair value through the income statement'. This total is \$2.7 million (2006: \$8.9 million)

Credit risk exposure

Credit risk exposures of the Company arise in relation to converting and convertible notes and other interest-bearing 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.

9. Non-current assets – investment portfolio	2007	2006
	\$'000	\$'000
Listed securities		
- shares at market value	310,082	203,813
- converting and convertible notes and other interest bearing securities at market value	-	7,775
Unlisted securities at fair value	-	99
	<u>310,082</u>	<u>211,687</u>

The fair value of unlisted securities is determined by Directors based upon independent advice.

Credit risk exposures of the Company arise in relation to converting and convertible notes to the extent of their carrying values in the event of a shortfall on winding-up of the issuing companies.

Excluding the hybrids, the total is \$310.1 million (2006: \$203.9 million)

10. Non-current assets – Deferred tax

The Company's deferred tax assets ("DTA") arise from timing differences in the recognition of

items for taxation and accounting purposes, as described in Note 1(c).
The key components are:

	2007	2006
	\$'000	\$'000
(a) The difference in the value of the Trading portfolio for tax and accounting purposes	(3)	13
(b) Tax paid up front on sold option premiums which are not included as accounting income until they lapse, are exercised or closed out	51	37
(c) Provisions and expenses charged to the accounting profit which are not yet tax deductible	178	195
(d) Interest and dividend income receivable which is not assessable for tax until receipt	(38)	(17)
(e) Provision for tax on unrealised gains or losses on the options written portfolio	18	8
	<u>206</u>	<u>236</u>

Movements:

Opening balance at 1 July	236	52
Credited/(charged) to Income statement	(30)	184
	<u>206</u>	<u>236</u>

The net DTA 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 DTA likely to be reversed within the next 12 months is \$83,000 (2006: \$33,000). This relates primarily to items described in notes (a), (b) and (d) above.

11. Current liabilities - payables

	2007	2006
	\$'000	\$'000
Outstanding settlements – investment portfolio	1,693	995
Outstanding settlements – trading portfolio	525	-
Director retirement benefits	357	357
Other payables	243	309
	<u>2,818</u>	<u>1,661</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.

Movement on amount payable for Directors retirement benefits during the year :

Opening balance	357	444
Amount paid during year	-	(87)
	<u>357</u>	<u>357</u>

12. Options written portfolio

The Company enters into option contracts in the options written portfolio for the purpose of enhancing returns. 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.

As at balance date there were call options outstanding which potentially required the Company if they were exercised to deliver securities to the value of \$2.57 million (2006: \$4.77 million).

As at balance date the majority of these contracts are exchange-traded options and are entered into within the constraints and controls imposed by the Australian Securities Exchange Limited. Dealing and administrative (including settlement) functions are separated. The Company has also entered into some Over The Counter (OTC) options arranged with a counter-party by Australian Investment Company Services Ltd (AICS). 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.

\$2.26 million of shares are held by the Australian Clearing House (ACH) as collateral for sold exchange-traded option positions written by the Company (2006: \$4.59 million). These shares are held by ACH under the terms of ACH 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

	2007 \$'000	2006 \$'000
Deferred tax liabilities on unrealised gains in the investment portfolio	<u>48,482</u>	<u>26,791</u>
Movements:		
Opening balance at 1 July	26,791	23,167
(Credited) to Income Statement for securities that contain a derivative element (eg Convertible Notes)	(746)	(62)
Charged to equity for ordinary securities	<u>22,437</u>	<u>3,686</u>
	<u>48,482</u>	<u>26,791</u>

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

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	Price \$	Paid-up Capital \$'000
1/07/2005	Balance		116,066		115,845
Various	Buy-backs	i	<u>(4)</u>		<u>(7)</u>
30/06/2006	Balance		116,062		115,838
Various	Buy-backs	i	(70)		(149)
23/08/2006	Dividend Reinvestment Plan	ii	364	1.86	677
2/03/2007	Dividend Reinvestment Plan	ii	473	2.09	989
	Cost of share issues		-		(16)
30/06/2007	Balance		<u>116,829</u>		<u>117,339</u>

- i. The Company introduced an on-market Buy-Back Program in the financial year ending 30 June 2006. During the 2007 financial year the Company had bought back 70,451 shares (2006: 4,000 shares) at an average price of \$2.11 (2006:\$1.75).
- ii. The Company has introduced a Dividend Reinvestment Plan under which shareholders elected to have all or part of their dividend payment reinvested in new ordinary shares. Pricing of the new DRP shares was based on 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 issue under both Dividend Reinvestment Plans during the year was at a 2.5% discount to the calculated price.

15. Revaluation Reserve	2007	2006
	\$'000	\$'000
Opening balance at 1 July	50,577	42,381
Revaluation of investment portfolio	72,429	11,882
Provision for tax on unrealised gains	(22,437)	(3,686)
	<u>100,569</u>	<u>50,577</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).

16. Realised Capital Gains Reserve

Opening balance at 1 July	23,988	11,271
Dividends paid	(1,633)	(580)
Transfer from retained profits	14,620	13,297
	<u>36,975</u>	<u>23,988</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). As the balance relates to net realised gains it may be distributed as cash dividends at the discretion of Directors.

17. Retained Profits

Opening balance at 1 July	7,764	7,623
Dividends paid	(7,085)	(6,964)
Profit for the year	24,506	20,402
Transfer to realised capital gains reserve	(14,620)	(13,297)
	<u>10,565</u>	<u>7,764</u>

18. Financial Risk Management

AASB 7 – Financial Instruments : Disclosures identifies 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 noted in Notes 6 a), 7, 8 & 9 with respect to cash, receivables, securities in the trading portfolio and securities in the investment portfolio respectively. None of these assets are over-due or considered to be impaired.

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 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 facilities are unlikely to be breached. In the unlikely event that a fall in the value of the stock market is such that a breach would become likely, the Company would amend 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.

Any borrowing facilities are drawn for a period normally no longer than 90 days.

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, 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 can 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 equity of \$10.9m and \$21.7m respectively, assuming a flat tax of 30%.

The Revaluation Reserve at 30 June 2007 was \$100.6m. It would require a fall (after tax) in the value of the investment portfolio of 48% to fully deplete this. In accordance with Accounting Standards, any further falls in value would continue to be recognised in Equity as unrealised losses, thereby impacting the shareholders' equity of the Company.

The Company seeks to minimise 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:

	2007	2006
Energy	5.52%	5.37%
Materials	19.88%	18.44%
Industrials	27.80%	27.45%
Consumer Discretionary	11.29%	9.55%
Consumer Staples	4.92%	3.76%
Health Care	5.84%	8.63%
Financials	2.25%	0.89%
Real Estate	5.52%	5.24%
Info Technology	9.58%	7.80%
Utilities	5.74%	4.98%
Cash	1.66%	7.89%

There are no securities representing over 5% of the combined investment and trading portfolio at 30 June 2007.

The Company is not directly exposed to material interest rate risk as all its cash investments are short-term and borrowings would be short-term for a fixed interest rate. Interest rate risk on Hybrid securities held by the Company is reflected in their market value.

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

The writing of put and call options in the options written portfolio (Note 12) is undertaken to enhance income. The writing of call options also provides some protection against a fall in market prices as it generates income to partially compensate for a fall in capital values. The Company does not write options where it does not own sufficient securities to meet any call obligations.

Under Accounting Standards, movements in the market value of the trading portfolio are reflected directly through the Income Statement. However, the trading portfolio does not hold more than 10% of the total value of the Company's holdings and is usually at much lower levels than this. As at 30 June 2007, it was 0.8% of the total invested including cash (2006: 0.5%). This reduces the risk to the Company's earnings of a short-term fall in the value of securities held in the trading portfolio.

The Company has no hedges or hedging instruments.

19. Dividends	2007	2006
	\$'000	\$'000
(a) Dividends paid during the year		
Final dividend for the year ended 30 June 2006 of 4.0 cents fully franked at 30% paid on 23 August 2006 (2006: 3.5 cents fully franked at 30% paid on 24 August 2005).	4,643	4,062
Interim dividend for the year ended 30 June 2007 of 3.5 cents per share fully franked at 30%, paid 2 March 2007 (2006: 3.0 cents fully franked at 30% paid 16 March 2006)	4,075	3,482
	<u>8,718</u>	<u>7,544</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.	14,468	9,153
Impact on the franking account of dividends declared but not recognised as a liability at the end of the financial year:	(3,255)	(1,990)
Net available	<u>11,213</u>	<u>7,163</u>
These franking account balances would allow the Company to frank additional dividend payments up to an amount of:	26,164	16,715

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%. The aggregate amount of the final dividend for the year to 30 June 2007 to be paid on 2 August 2007, but not recognised as a liability at the end of the financial year	<u>7,594</u>
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(d) Listed Investment Company capital gain account	2007	2006
	\$'000	\$'000
Balance of the Listed Investment Company (LIC) capital gain account	31,072	19,972
This would equate to an attributable amount of	44,389	28,532

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.

20. Earnings per share	2007	2006
Basic Earnings per Share		
	Number	Number
Weighted average number of ordinary shares used as the denominator	116,512,615	116,064,895
	\$'000	\$'000
Profit for the year	24,506	20,402
	Cents	Cents
Basic earnings per share	21.03	17.58
Basic net operating profit before net gains on investments per share		
	\$'000	\$'000
Net operating profit before net gains on investments	9,927	7,277
	Cents	Cents
Basic net operating profit before net gains on investments per share	8.52	6.27

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 & options written portfolios per share.

21. Directors

Persons who were Directors of Mirrabooka Investments Limited for part or all of the financial year ended 30 June 2007 were:

TA Campbell
RE Barker
D Evans
RJ Fynmore
DE Meiklejohn

Persons who were executives with authority for the strategic direction and management of the Company for part or all of the financial year ended 30 June 2007 were

RE Barker – Managing Director
GN Driver – General Manager – Business Development and Investor Relations
RM Freeman – Chief Investment Officer (appointed 5 February 2007)
AJB Porter – Chief Financial Officer
SE Crook – Company Secretary & General Counsel

Other than the Managing Director whose Directors fees are paid directly to AICS no remuneration is paid to the executives as their services are provided pursuant to an outsourcing arrangement with AICS.

	Short-term benefits \$	Post-employment benefits \$	Total \$
<i>2007</i>			
<i>Non-executive Directors</i>	170,352	117,648	288,000
<i>2006</i>			
<i>Non-executive Directors</i>	243,600	18,000	261,600

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report.

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:

	Opening balance	Net changes	Closing balance
TA Campbell	1,785,591	68,944	1,854,535
RE Barker	308,091	9,965	318,056
D Evans	25,000	-	25,000
RJ Fynmore	300,000	50,000	350,000
DE Meiklejohn	83,000	17,000	100,000
GN Driver	-	150	150
RM Freeman	N/A	-	109,630

No other executive holds shares in Mirrabooka.

22. Related parties

Directors TA Campbell is interested and D Evans was interested in the following transactions as Directors, employees and shareholders of Goldman Sachs JBWere Pty Ltd, Goldman Sachs JBWere Services Pty Ltd and Goldman Sachs JBWere Capital Markets Limited. All transactions with deemed related parties were made on normal commercial terms and conditions and approved by independent Directors.

	2007 \$'000	2006 \$'000
(a) The Company invests surplus funds in deposits at call with Goldman Sachs JBWere		
- interest revenue received or receivable	883	80
- expense paid or payable for management of the cash and bill portfolio	10	26
- deposits at call (at balance date)	5,283	3,314
(b) The Company obtains investment advice and buys and sells securities through Goldman Sachs JBWere amongst other brokers		
- Brokerage expenses paid or payable	43	36
- Portfolio advice services paid or payable	1,273	1,148

23. Remuneration of auditors	2007	2006
	\$	\$
During the year the auditor earned the following remuneration:		
PricewaterhouseCoopers		
Audit or review of financial reports	85,327	63,580
<u>Non-Audit Services</u>		
Taxation compliance services	12,815	10,175
Other taxation services	-	1,760
Total remuneration	98,142	75,515

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 Company also conforms to legal requirements regarding audit partner rotation every 5 years.

24. Reconciliation of net cash flows from operating activities to profit	2007	2006
	\$'000	\$'000
Profit for the year	24,506	20,402
- Net decrease (increase) in trading portfolio	(1,544)	50
- Net capital (gains)/losses on investment portfolio before tax	(19,421)	(18,988)
- Dividends received as securities under DRP investments	(798)	(617)
- Decrease (increase) in current receivables	(3,165)	(1,446)
- Less increase (decrease) in receivables for investment portfolio	2,028	1,006
- Increase (decrease) in deferred tax liabilities	21,721	3,440
- Less (increase) decrease in deferred tax liability on investment portfolio	(21,691)	(3,624)
- Less (credit)/charge to income statement for tax on gains or losses on hybrids	(746)	(62)
- Increase (decrease) in options written	78	102
- Increase (decrease) in current payables	1,157	(1,725)
- Less decrease (increase) in payables for investment portfolio	(698)	1,480
- Less decrease (increase) in dividends payable	(1)	-
- Increase (decrease) in provision for tax payable	(60)	4,404
Net cash flows from operating activities	1,366	4,422

25. Contingencies

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